

Automakers 2010

**Happy days are near again
for many of the manufacturers.**

BY NANCY DUNHAM

THERE'S NO QUESTION that 2009 was the bottom year of this latest recession," says AutoTrends analyst Joe Phillippi, noting that many automakers used the time to revise their business plans and strategies. "Dealers have got to feel a lot better. They have cut their costs and restructured to cope with the changes in the marketplace."

The next step: to see if actions by the automakers—especially the Big Six—will help or hinder dealers in 2010.

FORD STAYS FOCUSED

Ford's sweep of the North American Car and Truck of the Year awards last month—with the 2010 Ford Fusion Hybrid and the 2010 Ford Transit Connect—was more proof that the automaker weathered 2009 better than its rivals.

"Relatively speaking, Ford was a big winner," says Brandon Mason, an analyst with PricewaterhouseCoopers Autofacts group in Detroit. The automaker's market share increased from 14.7 percent in 2008 to 15.9 percent in 2009.

Dealer Bruce Schindler, Bob Davidson Ford/Lincoln/Mercury, Baltimore, says customers still cite Ford's refusal to take bailout money for their decision to buy. Environmentally friendly models and technologies—especially Eco Boost,

Ford's engine technology that improves fuel economy and performance while decreasing CO₂ emissions—also resonate with consumers.

Dealer grumbling that Ford didn't properly advertise some models—like the highly touted Flex—has been replaced by cheers for social networking campaigns that have won thousands of pre-orders for the 2011 Ford Fiesta, which combines style with 40-mpg fuel economy. Likewise, buzz has built about the 6.7-liter 2011 Super Duty, which boasts one of nine new or upgraded engines the automaker will roll out.

"All those things are happening in the first quarter [of 2010] and will give us another shot of adrenaline," says dealer Ron Kody, Richmond (Va.) Ford/Lincoln/Mercury.

GM RESTRUCTURES

Though GM finished the year with 19.9 percent market share, down from 22.4 percent in 2008, the company's decision to trim the line to four core brands has given it a strong product portfolio and allowed it to continue strong R&D efforts, says Mason.

Third-generation dealer G. Ed Williamson II, Williamson Auto Group, Miami/Fort Lauderdale, says such tough deci-



Looking good: Ford products like the Fusion Hybrid are helping the company gain ground in the slow economy.

sions kept GM and its dealers afloat and have poised it for future success. “It’s all about the product,” he says, adding that the new LaCrosse and Regal are already getting positive critical reviews. The Cadillac CTS is another head-turner, he adds, with young styling and a good audio/navigation system.

Analysts agree, noting interest among the important Generation Y market segment may well build brand appeal and translate to sales. “The game plan and GM products look very good,” says Phillippi. “The Cadillac CTS won’t generate a lot of volume but will generate a lot of buzz. People will be excited. GM should be excited.”

CHRYSLER FIGHTS TO TURN AROUND

There seem to be no easy answers for Chrysler. Stalled production and fewer dealer service options for customers are some of the headaches. The maker’s market share dipped from 11 percent in 2008 to 8.9 percent in 2009.

Analysts are watching to see if the newly formed alliance with Fiat will change the momentum. With its power train and other technologies, “Fiat will assist them in becoming more competitive, bringing refreshed products to market,” says Mason.

Dealer Charles “Chuck” Eddy Jr., Austintown Dodge, Youngstown, Ohio, says that once Chrysler weathers what it predicts will be a difficult first half, the new strategies and models such as the Jeep Grand Cherokee, Chrysler 300, and Dodge Charger will turn the automaker around.

“We’ve proven we can move new cars and trucks,” says Eddy, noting he sold 157 new cars in July—the highest volume in his dealership’s 40-year history. “We just have to have them to sell.”

HONDA’S STEADY PACE PAYS OFF

While some automakers took big risks that sometimes didn’t pay off, Honda has been methodical in its approach to the U.S. car market. Market share rose to 11.1 percent from 10.8 percent in 2008. The Honda CR-Z hybrid is one model dealers and analysts believe will help Honda win big this year.

Dealer Bud Smail, Smail Automotive Group, Greensburg, Pa., says Honda is almost taking a page from Ford in emphasizing the small, fuel-efficient cars that appeal to such a wide customer base, including Generation Y. And Honda CEO Takanoibu Ito’s recent statements that he wants his R&D staff to develop a hybrid with better fuel economy than

Toyota's Prius show the maker takes its hybrid commitment seriously, dealers say. Time will tell if Honda is being overly cautious in not expanding the hybrids to its larger vehicles.

NISSAN TURNS OVER A NEW LEAF

The Nissan LEAF—the first fully electric mass-production car—will hit showrooms in December. “Nissan is betting that will be what consumers want,” says Mason. “It remains to be seen if this methodology is right. The race is now on between hybrids and EVs.”

Dealer Don Groppetti, Groppetti Automotive, Visalia, Calif., says that “Nissan hasn't started taking pre-orders yet, but the customers are excited to touch it, see it, find out more.”

Nissan also plans to increase its crossover lineup with the trendy looking Juke and will continue plans for the Titan pickup after having parted ways with Chrysler on the product.

Dealers give nods for innovation to the automaker's stabilized national management team, based in Nashville. The national team has also allowed dealers more discretion on the service drive and more specific inventory control. Market share has bumped up from 7.2 percent to 7.4 percent, thanks in large part to its smaller, youthful vehicles, says Mason.

TOYOTA'S FORWARD MOTION

Toyota remains the quality and reliability leader, although recent recalls have hurt a bit. “They have gotten a lot of bad press lately, but I wonder how much of that [resonates] with the public,” says Phillippi. “Product recalls are an inevitable part of the industry. But [Toyota has] a great reputation for quality, reliability, and durability.”

Dealer Paul Atkinson, Atkinson Toyota, Bryan, Tex., says the proof of consumer confidence in Toyota is in the sales fig-



Eco-chic: The popular Prius has helped sustain Toyota's reputation for reliable and green cars.

ures, which made Camry the number-one-selling car in 2009. “The consumers spoke with their checkbooks,” he says.

Phillippi and other analysts praise Toyota's “real world” cars, such as the hybrid that works equally well for long and short trips, unlike electric vehicles, which may need charging at regular intervals. And as news spreads about recent announcements like the introduction of the compact hybrid FT-CH—which Toyota estimates will come to market in three to five years—and its entry into the fuel cell vehicle market in five years, momentum should build around the automaker.

“I have told all my associates we should expect a flat first quarter like we had last year,” says Atkinson. “As the year goes on [and models are released], the excitement will build.”

Nancy Dunham is a contributing writer to NADA Convention Magazine.

Seoul Power

Calling Hyundai/Kia the other “big winner” (besides Ford) to emerge from 2009, analyst Brandon Mason, PricewaterhouseCoopers (PwC) Autofacts group in Detroit, says the automaker continues to win fans here with its ongoing Assurance Program and 100,000-mile warranties. “That might not mean absolute dollars with consumers, but it resonates well,” says Mason of the Assurance Program, in which the automaker takes over car payments when the customer loses his or her job.

Hyundai's market share rose from 5.1 percent in 2008 to 7.1 percent in 2009. Refreshed Sonatas and Santa Fes from Hyundai and Souls from Kia, combined

with models that have new direct injection power trains, will likely translate into even higher sales in 2010.

Findlay Automotive Group, Henderson, Nev., has two Hyundai stores and a Kia store. It plans to open a second Kia store this fall, says chief financial officer Tyler Corder. “Our biggest challenge is getting people to consider [the vehicles],” he says. “They don't realize how good the product is until they drive one.”

But dealer Art Wright, Lehigh Valley Hyundai, Emmaus, Pa., says his customers like Hyundai's quality, which comes at a much lower price than other automakers can offer.

The Foreign Factor

While U.S. auto sales plummeted in 2009, China, India, and Germany had unprecedented growth: China's sales zoomed from 7.2 million in 2008 to 10.7 million in 2009, sales in India grew 16 percent to almost 13 million, and Germany's car sales jumped 23 percent to 3.8 million.

Here's how these various booms are affecting the U.S. market.

China

Chinese imports won't likely hit U.S. shores anytime soon. The most recent attempts by Chinese automakers (MG in Oklahoma and FAW in Mexico) have yet to come to fruition, says Sudarshan Mhatre, lead Asia-Pacific analyst, PricewaterhouseCoopers (PwC) Autofacts group. Aside from suffering serious technology and styling deficits, Chinese automakers have their hands full with demand at home.

Auto analyst Erich Merkle, president of Autoconomy, Grand Rapids, Mich., says that while one Chinese company—BYD—has recently had a presence at various industry events, it just isn't ready for prime time. "Honestly, they are just not ready for the American market," he says. "[The product] looked like a Corolla from the 1990s."

Still, says Mhatre, "a couple of the privately owned automakers are interested in pursuing growth in overseas markets, but are likely to adopt a more practical approach by expanding into emerging markets and then slowly expand into mature markets like the U.S. once they have built up the quality, safety, and reliability in their products to be compatible with the market regulations."

India

Like China, India won't be exporting many cars to the United States in the near term, say analysts. Although recent articles in the *New York Times* and elsewhere about the Tata Nano have driven interest, there's little evidence the car's about to arrive here.

"Trying to meet the safety and emissions regulations in the U.S. is very difficult," says Merkle. And once those regulations are met, Merkle says, the auto dubbed the "world's cheapest car" will cost far more than it does in India. Even if the cost increase is minimal, Merkle believes U.S. interest will be low.

Germany

European automakers managed to buck the U.S. market somewhat in 2009, says Calum MacRae, global leader of PwC Autofacts. While overall light-vehicle sales were down 21.2 percent, European brands were off only 14.2 percent.

Of course, much of that was because these automakers are producing what U.S. customers want right now—fuel-efficient compact cars. "The exchange rate will be an increasing issue as European brands look to build volume in the U.S. market," MacRae says, reflected in Mercedes' announced move of some next-generation C-Class production to its Vance, Ala., assembly plant.

Even though there's been buzz about Volkswagen, as buyers seek clean fuel alternatives like diesel, the automaker (which includes Audi and Porsche) still has only a modest share of the U.S. marketplace—2.8 percent, up from 2.4 percent in 2008. Plus, diesel is a hard

sell in the U.S., since (unlike in Europe) gas is usually cheaper than diesel here.

But a new plant in Chattanooga, Tenn., will soon build VW's new midsize sedan, which has won early raves from analysts and auto journalists and should help jazz up the company's lineup.

U.S. presence:
A Mercedes plant in Vance, Ala.

