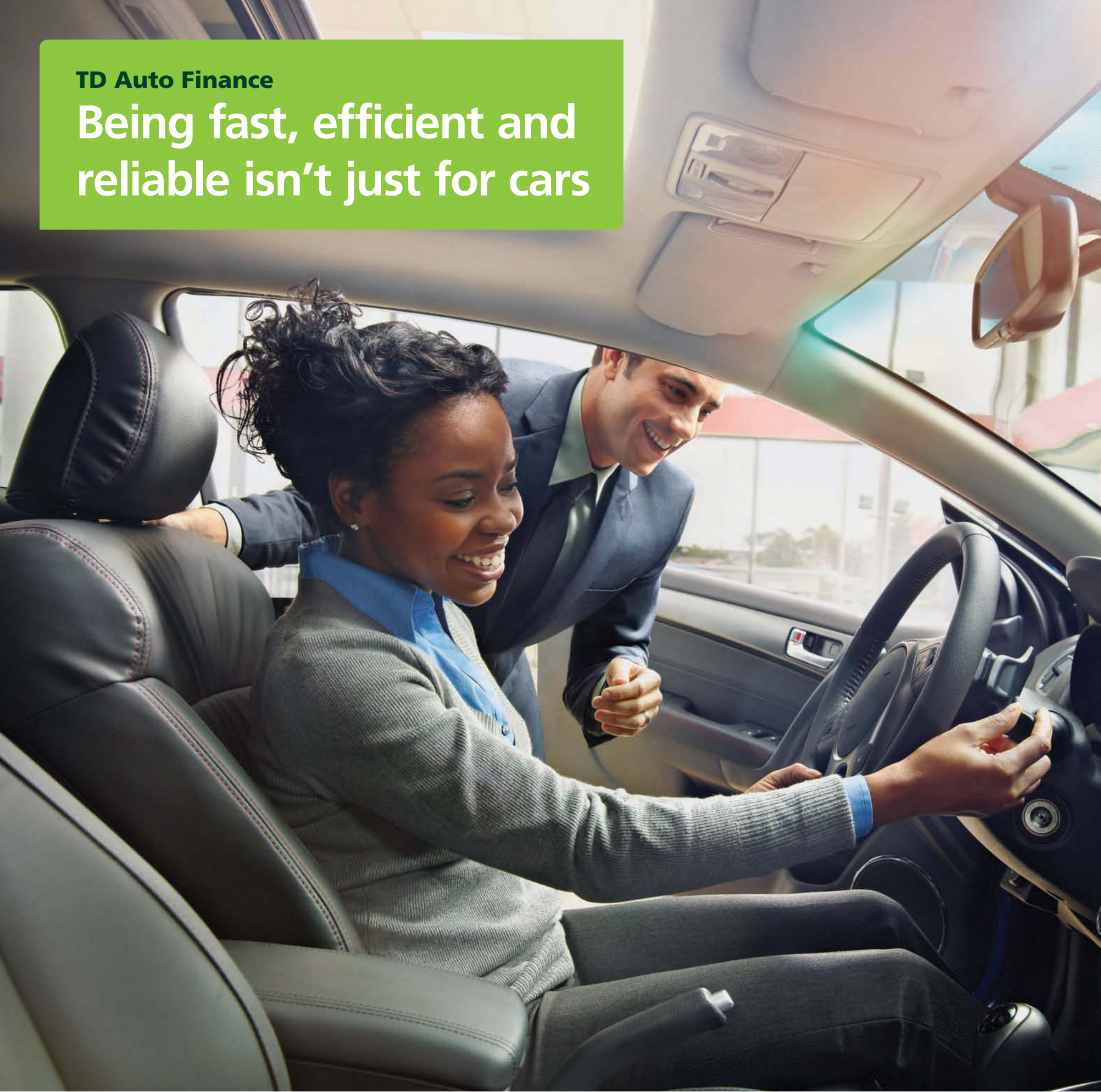


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## COURTING SALES

NBA Hall of Famer Karl Malone sells Toyotas in Utah the way he played basketball: with passion and flair | **PAGE 8** |



## CEO SALARIES

Ford's Alan Mulally lugged home \$68.2 million last year to lead the 2011 CEO pay list. See a full report | **PAGES 58-59** |

# Automotive News

**JUNE 4, 2012** Entire contents © 2012 Crain Communications Inc. All rights reserved. **\$159/YEAR; \$6/COPY**



GM workers at Flint's Silverado/Sierra truck plant during a late-night shift change

The midnight shift returns with a vengeance as automakers hustle to boost production

JOE WILSENS

## GM will base bonuses on owner loyalty

Reuss insists on retention

**Mike Colias**  
mcolias@crain.com



**Reuss: Wants "customer zealotry"**

DETROIT — Mark Reuss wants General Motors employees to make customers so happy with their GM vehicle that they come back for another one. So he's paying extra when that happens.

Reuss, GM North America president, has instituted a new compensation structure that ties a portion of salaried workers' bonus pay to GM's customer loyalty in both sales and aftersales service at dealerships. It covers all GM's 98,000 North American salaried employees, from engineers and vehicle designers to field reps.

Reuss says it's the first time in his 26-year career — and likely in GM's history — that the company will pay employees based on how well GM retains its customers.

"That is the ultimate result of why we're doing all of this, right? People come back and buy our cars and trucks," Reuss told *Automotive News* last week.

see **REUSS**, Page **60**

## Game on: Japan's giants roar back

**Jesse Snyder**  
jsnyder@crain.com

Toyota and Honda came roaring back in May, putting the squeeze on General Motors, Ford and other automakers that have scored big gains in market share since the 2011 Japan earthquake.

Industry sales rose 26 percent, and the strong performance, especially by the Japanese giants, marked a return to a normal — meaning fully restocked — sales climate.

"The industry is beginning to equalize again," GM North America President Mark Reuss told *Automotive News*.

May sales totaled 1.3 million units. There were mostly winners and darned few losers.

see **SALES**, Page **63**

# NIGHT MOVES

**Nick Bunkley**  
nbunkley@crain.com

**A**t General Motors, nearly one in five U.S. hourly workers now clocks in close to midnight and goes home around sunrise.

GM has more assembly plants in North America running overnight than the entire auto industry did at any point from 2000 through 2009.

"They're going to three shifts at just about every plant now," says George Ruiz, president of UAW Local 31 in

Kansas City, Kan. GM's 25-year-old plant there, which never ran on more than two shifts until January 2010, has had three ever since.

GM — prodded by the Obama administration's auto task force, which viewed overnight downtime as a lost opportunity for profits — was the first automaker to begin using three shifts widely as the industry recovered from the recession.

Ford Motor Co., Chrysler Group, Nissan Motor Co. and Kia Motors Corp. have followed suit, and many of

their suppliers have added overnight shifts in turn. Hyundai Motor Co. begins a third shift at its Alabama plant in September.

By the start of next year, 22 of the 83 assembly plants in North America will operate with three shifts of workers, and nearly half of all vehicles built here will come from a three-shift plant, according to forecasts by IHS Automotive. "It's never been that high," says IHS analyst Michael Robinet.

see **SHIFT**, Page **32**



### Talk from the Top: Mark Fields of Ford

A top contender to succeed CEO Alan Mulally reflects on the performance of Ford's North American unit. | **PAGE 21** |



### F&I Insight: The pros and cons of cameras

Taping F&I sessions aids training and cuts lawsuits. So why don't more stores do it? A special F&I report on | **PAGES 37-50** |



SALUTE TO DEALERS



*“I’ve made it my personal mission to give kids the opportunity to do what they want to do in life.”*

*Alton Blakley, Alton Blakley Ford, Somerset, Kentucky*

Ford congratulates 2012 Salute To Dealers award winner Alton Blakley. Among Alton’s charitable works is a fund-raiser to build the Somerset Family Fitness Center. The SFFC’s Blakley Aquatic Center has three pools, including one that’s Olympic-size, which is used by the local high school swim teams. “We never had the opportunity to have high school teams; now all three of our schools place high in state meets. We also built a handicap-accessible pool with ramps and a wheelchair lift, so people who need it can actually get therapy in a warm-water pool. It’s an amazing place.” Alton also co-chaired a campaign to build a facility at Somerset Community College that includes a classroom which functions like a hospital room. “I’m proud of what we accomplished. You can’t underestimate the importance of supporting education because it’s forever. It affects generations.” Learn more about Ford at [social.ford.com](http://social.ford.com).



**Go Further**

# U.S. dealership count: Going up

Some brands are eager to expand; others make up for past cuts

**Amy Wilson**  
awilson@crain.com

In a surprising swing after the severe cut-back in U.S. dealerships during the recession, some automakers are again adding stores.

This year is shaping up to be the second in a row with an increase in the dealership count. But the expansion isn't likely to last.

Several large groups recently have been awarded new franchises — “add points” in industry parlance — or are in discussions with manufacturers about new points.

Dealerships are being added by Asian and

European automakers with ambitious growth plans. New points also are coming from domestic automakers that lost representation in some key markets after thousands of dealerships went out of business during the recession or were terminated by General Motors and Chrysler during their bankruptcies.

Penske Automotive Group opened a Mini store and a Nissan/Infiniti dealership in March. AutoNation Inc. was awarded Mini, Chrysler and Jeep franchises during the first quarter. And Asbury Automotive Group executives said in April that the company may increase 2012 capital spending if add-point discussions come to fruition.

“We've got a number of them in the mill,” Asbury CEO Craig Monaghan said. “I hope before we go a whole lot further, you'll see

some of those come to life. It's broadly across the board. You're not seeing it concentrated with one brand or another.”

Enough add points could open in 2012 to increase the overall U.S. dealership count for the second straight year, said John Frith, vice president of retail channel solutions for Urban Science, which

see **STORES**, Page 60

**Asbury CEO Craig Monaghan: We're talking about adding a number of stores.**



## First gain in years

U.S. dealership count when the year began was higher for the first time in 7 years.

JAN. 1	DEALERSHIPS	CHANGE	% CHANGE
2000	22,004	-72	0%
2001	22,007	3	0%
2002	22,146	139	1%
2003	22,333	187	1%
2004	22,177	-156	-1%
2005	22,200	23	0%
2006	22,089	-111	-1%
2007	21,761	-328	-2%
2008	21,461	-300	-1%
2009	20,453	-1,008	-5%
2010	18,607	-1,846	-9%
2011	17,653	-954	-5%
2012	17,859	20	1%

Source: Automotive News Data Center



Nearly four of 10 Dodge Avenger buyers have loan rates of 10 percent or higher, which Edmunds considers subprime. See chart on Page 60.

## Subprime's comeback fuels Chrysler sales

**Larry P. Vellequette**  
lvellequette@crain.com

The dramatic comeback of subprime loans has helped the entire industry recover from the recession, but easier credit has returned like an old friend to Chrysler Group.

In the first quarter of 2012, 29 of every 100 new-auto loans for Chrysler vehicles have been to consumers with credit scores below 680, says credit agency Experian Automotive. Experian considers scores below 680 subprime.

For comparison, only 16 percent of auto loans for Chrysler were subprime during the height of the recession in the second quarter of 2009, Experian says.

Chrysler Group dealers say lenders' willingness to finance subprime customers is fueling the automaker's current string of 26 months of sales gains.

“It almost feels like we're back to where it was in its heyday,” said Josh Towbin, co-owner of Towbin Automotive, which has nine franchises among its five

### Chrysler's subprime comeback

Percentage of subprime loans for new vehicles\*

	CHRYSLER GROUP	U.S. MARKET
<b>Pre-recession:</b> 4th qtr. 2007	30%	27%
<b>Height of recession:</b> 2nd qtr. 2009	16%	18%
<b>Now:</b> 1st qtr. 2012	29%	23%

\*Loans to customers with credit scores below 680  
Source: Experian Automotive

Las Vegas stores, which include two Chrysler-Dodge-Jeep-Ram stores and a Fiat studio.

“You can even get some of the rougher stuff done now — people with foreclosures and past foreclosures. Banks seem to understand that now, where they wouldn't before.”

It's difficult to quantify how much easier credit has

see **SUBPRIME**, Page 60

## De Nysschen resigns as Audi of America boss

Exec turned unit into a serious luxury contender

**Nick Bunkley**  
nbunkley@crain.com

Johan de Nysschen, who in seven years as head of Audi of America transformed the unit from a chronic underperformer into a serious luxury contender with huge ambitions, is stepping down to accept another job.

De Nysschen announced his resignation Friday in an e-mail but did not reveal his future plans. Audi spokesman Bradley Stertz confirmed de Nysschen's departure and said it was effective immediately.

COO Mark Del Rosso will be interim president, Stertz said.

“This has been an amazing and incredibly fulfilling journey, filled with challenge, an overwhelming passion for the brand, and many special people,” de Nysschen wrote in the e-mail. “These have truly been the best years of my life, and I know the best years for Audi still lie ahead. It is a magnificent company, a magnificent brand, and I shall watch the continued progress of the four rings with interest and envy.”

De Nysschen, 52, had been with Audi for nearly 20 years, joining the brand in 1993 as general manager in South Africa. After six years heading Audi Japan, he became Audi of America's chief in December 2004.

Under his leadership, Audi's

De Nysschen spoke with *Automotive News* about Audi's future soon before announcing his departure. | **PAGE 22** |

share of the U.S. luxury market climbed from 5.3 percent to about 10 percent so far this year. Its sales topped 100,000 for the first time two years ago, and the brand set a goal of surpassing 200,000 sales by 2018. He recently told *Automotive News* that he expected 2012 sales of 135,000 to 140,000 units, up from 117,561 last year.

To support its planned growth, Audi announced in April that it would open an assembly plant in Mexico to build SUVs starting in 2016.

Audi reported a 10 percent gain in May sales, marking the 17th consecutive monthly record for the brand. The company's news release quoted de Nysschen as saying, “Audi's progressive luxury and technologically advanced vehicle portfolio

continues to set the pace in the high-end sector of the luxury car market.”

De Nysschen improved Audi's position on luxury shoppers' consideration list, boosted resale values and increased transaction prices.

He leaves with Audi almost two-thirds of the way through its 10-year plan for growth in North America. The plan involves considerable expansion of the brand's lineup, dealer bonuses to increase customer satisfaction, showroom makeovers and increased marketing. **AN**



**De Nysschen: Led unit for seven years**

## CORRECTIONS

■ A story on Page 28 of the May 21 issue named the wrong supplier as the designer of the touch pad used in Audi's MMI Touch infotainment system. The touch pad was designed and supplied by Alps Electric Co. Harman Becker Automotive Systems Inc. is the system integrator for Audi's infotainment system.

## European execs assess a market in turmoil

The European auto industry has been rocked by overcapacity, high debt and lagging sales.

What does this mean for the future of the car business?

Speakers at the 15th annual Automotive News Europe Congress June 20-21 in Monte Carlo will explore the industry's toughest issues and provide some solutions.

The theme of this year's congress is “Building Resiliency in

Turbulent Times — Managing the Unexpected in an Age of Complexity.”

Among the scheduled speakers are Renault COO Carlos Tavares, Opel/Vauxhall CEO Karl-Friedrich Stracke, Porsche sales and marketing boss Bernhard Maier and Autoliv CEO Jan Carlson.

Ferrari Chairman Luca Cordero di Montezemolo will be the keynote dinner speaker. **AN**



**Renault's Carlos Tavares is among speakers.**

## Monte Carlo

**What:** Automotive News Europe Congress

**When:** June 20-21

**Where:** Hotel Fairmont, Monte Carlo

**Registration fee:** 1,750 euros

**Information:** Georgia Chapman +49 (0) 176 2076 9139, gchapman@autonews.com

**Web site:** [ane-congress.com](http://ane-congress.com)

# How Caddy exec plans to relaunch his brand

## Can Don Butler succeed after many have failed?

**Mike Colias**  
mcolias@crain.com

DETROIT — Chat with Cadillac marketing chief Don Butler and you don't sense that this is a man with the weight of an iconic, 110-year-old brand on his shoulders.

The affable 48-year-old is quick with a smile and a booming laugh. But his easygoing demeanor belies the pressure that comes with mounting expectations heaped on Cadillac — and Butler — by his bosses.

Last month, General Motors CEO Dan Akerson declared his goal of quadrupling annual Cadillac sales in China to more than



Butler must "get people to try the product."

150,000 units by 2018. Mark Reuss, GM's president of North America and the one who hired Butler, plugs the upcoming ATS sports sedan as built to "win" against the BMW 3 series, long the juggernaut of the luxury compact market.

Butler's response?

"I have the easiest job in the world," he says. "I just need to get people to try the product."

That has been a difficult task for a long list of Cadillac marketers.

Over the past decade, Cadillac has struggled to broaden its appeal beyond its loyal core of affluent 60-something buyers, even after vastly improving its lineup over that time.

Cadillac's trucks have had some success. In 2009, a popular redesign of the SRX crossover ignited sales. Before that, the bling-laden Escalade SUV scored with rappers and other celebrities.

But younger, import-minded buyers largely have stayed away from Cadillac's cars, even though GM moved the CTS sedan to a rear-wheel-drive platform and added the V-series

line of performance cars.

Now, GM execs believe that Cadillac's first new nameplates in a decade will put the brand closer to competing head-to-head with BMW, Mercedes-Benz and Audi. Butler's job is to persuade buyers to at least take a peek at the XTS large sedan, which arrives in showrooms this month, and the ATS, due by late summer.

The marketing efforts around the two launches amount to nothing short of a "re-launch" of the Cadillac brand, says Pat Fallon, chairman of Fallon Worldwide, the Minneapolis agency that produces Cadillac's creative work.

"It's a brand that has some momentum, but

see **BUTLER**, Page 64

Mitsubishi has done little to promote the i — an "invisible launch," in the words of one dealer.



## Little-known electric i remains a low-key EV

With few ads, Mitsubishi model notches just 295 sales

**Ryan Beene**  
rbeene@crain.com

LOS ANGELES — Quick, name the newest electric vehicle from a mainstream automaker to hit the U.S. market.

If you're scratching your head, you're not alone. Aside from dealers and EV enthusiasts, few are paying attention to the Mitsubishi i, the newest and cheapest U.S. EV from an established automaker.

More than 16,000 consumers in Europe and Japan have bought an i since its 2009 global sales launch. But it's a different story stateside, where the egg-shaped minicar debuted late last year with barely a murmur. Even in green-friendly Los Angeles, one of the first markets to sell the i, the vehicle has been all but invisible, on the streets and in media.

"It's kind of been the invisible launch," said a West Coast Mitsubishi dealer who requested anonymity. "The car is very good, make no mistake about it. But there's very little marketing support. Customers just don't really know about it."

As a result, Mitsubishi has sold just 295 units of the i through April. Sales began in November. That's far short of the 2,000 that Mitsubishi Motors Corp. officials in Japan had hoped to sell in the United States by now.

Mitsubishi has since cut its U.S. sales goal.

Mitsubishi's small size and marketing budget limit what it can do to promote the car.

Dealer margins on i sales are slim, and with a base price of \$29,975, before a \$7,500 federal tax credit, Mitsubishi loses money on every i sold here. Advertising has been scant, and a beefed-up effort this quarter will shun a big-budget TV campaign

### No spark

Sales of both the Mitsubishi i and Nissan Leaf electric vehicles started slowly. But Leaf sales picked up after 3 months, while the i's sales have stayed minuscule.



Source: Automotive News Data Center

for print and digital ads.

Initial sales goals set by the company's global EV business office were "very aggressive," Masatoshi Hasegawa, executive vice president of electric vehicle operations for Mitsubishi Motors North America, said in an interview.

Hasegawa said the company now hopes to sell 2,200 to 2,400 units in its current fiscal year, which ends March 31, 2013. That's down from its original U.S. goal, which Hasegawa declined to disclose.

Slower-than-expected deployment of EV charging infrastructure in most U.S. markets has slowed

## Hyundai unifies creative in global brand campaign

Nostalgia-laced commercials attempt to link purchase to a 'brilliant' life

**Ryan Beene**  
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LOS ANGELES — To create a more uniform brand image worldwide, Hyundai has launched a global advertising campaign that uses common creative work in all markets.

Hyundai is spending more to boost its global image after a period of rapid growth outside South Korea.

Brand management "is priority No. 1 at the moment," said Won-hong Cho, chief marketing officer for Hyundai Motor Co.

"The target image should be the same across the world," he said. "That's why we chose one message and one campaign."

The campaign's concept was designed around the automobile being a "life space," Cho said. Four 60-second TV spots, are the campaign's centerpiece. The sentimental, short-film style spots feature people experiencing life in their Hyundais. The campaign began in the United States in May.

For example, a spot titled "Fami-

ly" features a man returning to his hometown, driving his Genesis with his wife and child. He visits his old school and reunites with his mother at his childhood home.

"Our customers experience Hyundai cars and the Hyundai brand while they are living their everyday life," Cho said. "Watching those episodes, we hope that our customers will think about their own lives and how they can make their own lives brilliant."

Previous ad campaigns were executed by Hyundai's regional marketing teams. Advertising for individual nameplates will continue to be customized for regional markets, Cho said.

Hyundai ranked No. 61 out of the top 100 most valuable brands in Interbrand's 2011 Best Global Brands Index. It was the No. 8 automotive brand behind Toyota, Mercedes-Benz, BMW, Honda, Volkswagen, Ford and Audi, but ahead of Porsche, Nissan and Ferrari. **AN**



Hyundai's "Family" spot is among four 60-second commercials that show people experiencing life in their Hyundais.

see **LOW-KEY**, Page 26

| FORD CREDIT



**“There are a lot of advantages to floorplanning with Ford Credit. And it’s the relationship that has kept us with them.”**

“I can’t imagine a world where you could use Ford Credit, but you’re not. Ford Credit has been there for us through tough times – and it’s been in those times that their commitment to us really shines. As a floorplanned dealer, we get the efficiency of working with one lender who understands our business inside and out and makes us feel appreciated. I know it may sound like a little thing, but it really isn’t.”

*David Menten, Sawgrass Ford, Sunrise, Florida*



Go Further

# cars & concepts

## An Alfa Romeo roadster built in Japan? Who says it's a bad idea?

Luca Ciferri

Fiat has said Alfa Romeo's new roadster based on the next Mazda MX-5 Miata will be produced by the Japanese automaker.

At the recent Concorso d'Eleganza Villa d'Este classic cars event at Lake Como, Italy, the question on the lips of everyone I met was: "Wouldn't Marchionne be crazy to build an Alfa Spider in Japan?"

My answer to all those scandalized by the idea of the heir to the legendary Alfa Duetto

Spider sharing so much with the MX-5 was simple: Who designs a car or where it is built are not guarantees of success.

The right underpinnings count much more than the production location. As the former owner of a first-generation MX-5 shipped over from Hiroshima in Japan to Italy almost 25 years ago, I have good memories of those great underpinnings.

As far as design is concerned, the last Alfa Spider was styled by the brilliant designer

### COMMENT

Giorgio Giugiaro and built by Pininfarina. But in late 2010, the car was prematurely killed

— partly due to poor quality, but mostly because the underpinnings were totally inadequate. During five years of production, only 12,488 were sold.

Another example is the stunningly beautiful Alfa 6C 1750, which took all three top prizes in the classic-car competitions at this year's Concorso. This car was manufactured in 1933 in France by an

Italian coachbuilder, Giuseppe Figoni, who learned his trade from French coachbuilders.

It only goes to prove: If your great design is dressing a good chassis, where the car is built is a minor detail.

You may e-mail Luca Ciferri at [lciferri@crain.com](mailto:lciferri@crain.com)



## briefs



The AM310: Journalists got a peek but few details.

### > Aston Martin AM310 makes a quiet debut in Italy

Aston Martin unveiled a coupe concept called the AM310 last week at the Concorso d'Eleganza Villa d'Este at Lake Como, Italy. But there was little fanfare and next to no details about the car, leaving enthusiasts to speculate on how much it previews Aston's upcoming DBS replacement.

The AM310 is powered by a 6.0-liter V-12 and its aggressive profile is influenced by Aston's exotic One-77 supercar. Beyond that, the AM310 remains something of a mystery.

—Graham Kozak

### > Volkswagen CC four-door to get R-Line trim

Volkswagen will add the R-Line trim level to the CC four-door.

Powered by VW's 200-hp, 2.0-liter turbocharged four-cylinder engine, the CC R-Line debuted last week at the Auto Mobil International show in Leipzig, Germany. It will arrive in U.S. showrooms by year end. Buyers will have a choice of a six-speed manual or a six-speed dual-clutch automatic.

The R-Line gets cosmetic upgrades, 18-inch wheels and paddle shifters in cars with the dual-clutch transmission.

The CC was refreshed for the 2013 model year with new front and rear styling and more standard equipment. It went on sale in March.

—David Arnouts

### > BMW promotes Habib to head of automobile design

Karim Habib, who created the exterior shape of the current BMW 7 series, has been named head of design for BMW's automobiles division. He replaces Adrian van Hooydonk, who had been doing the job in addition to his responsibilities as BMW's group design chief.

Habib, 42, a Lebanon-born Canadian, has worked for BMW for most of his career, apart from a 2008-10 spell at Mercedes-Benz. He moves to his new role from head of exterior design at BMW.

Habib reports to Dutch-born van Hooydonk, 48, who became senior vice president for BMW Group design in 2009.

—David Jolley



### Italian flair, German precision

The striking BMW Zagato coupe unveiled at the Concorso d'Eleganza Villa d'Este on the shores of Lake Como in Italy may be more than just a design exercise. BMW says developers took care to produce something that could be sold in most countries. The coupe blends traditional styling elements from both BMW and Zagato, a famed Italian design house.

## BMW: 'Good looks' will sell coupe-style sedans

Diana T. Kurylko  
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Raw beauty is a big deal in the growing coupe-styled luxury sedan segment. And that's where BMW executives say they have the edge over German rivals with the 6-series Gran Coupe.

Extra rear-seat space will help, says Ludwig Willisch, CEO of BMW of North America. But he is counting on "good looks" to win buyers in a niche where some competitors' styling has been controversial.

The four-door, four-seat 640i with coupelike lines goes on sale this month in the segment pioneered by Mercedes-Benz in 2005 with the CLS. Other competitors now include the Porsche Panamera and Audi A7. But Willisch is convinced the 640i is the most attractive.

The Panamera has been dinged for its design, which even Porsche executives admit is polarizing. And while the first-generation CLS was called elegant and eye-catching with its shapely exterior,

the sharper lines of the redesigned model have been criticized.

"Design is the No. 1 reason to purchase a car in any premium segment," Willisch said.

He wouldn't forecast sales for the Gran Coupe other than say it will add some incremental volume to the 6-series range, now composed of a two-door coupe and convertible with cramped rear seats. Sales of the two-door 6 series peaked at 9,934 units in 2005. Sales totaled 3,903 last year.

The Gran Coupe uses a modified version of the two-door 6-series platform, but its wheelbase is 4.5 inches longer at 116.8 inches and its overall length grows 4.0 inches to 197 inches. BMW says the extra inches provided the room to fit two adults comfortably in the rear.

BMW has priced the base 640i Gran Coupe at \$76,895, including shipping — head-on with the Panamera, which starts at \$76,825. The 640i Gran Coupe has an



BMW's 6-series Gran Coupe

eight-speed automatic transmission combined with a 3.0-liter twin-turbo six-cylinder engine. The base Panamera has a dual-clutch automatic transmission combined with a 3.6-liter V-6.

The Mercedes-Benz CLS550, priced at \$72,175, has a 4.6-liter twin-turbo V-8 and a seven-speed automatic transmission.

In late summer, BMW will add the V-8 650i Gran Coupe with a base price of \$87,395 and all-wheel-drive 650i xDrive, starting at \$90,395. All prices include shipping.

Mercedes' CLS sales peaked at 14,835 in 2005. Last year, the redesigned CLS sold 5,665 units. The Porsche Panamera debuted in 2009; sales peaked at 7,741 in 2010. **AN**

## VW's Browning: We're considering a mid-sized SUV

Volkswagen may bolster its product lineup with a mid-sized SUV positioned between the Tiguan and Touareg.

"It's a part of our vision for the future," Volkswagen Group of America CEO Jonathan Browning said.

Speaking before a luncheon crowd in Detroit last week, the VW exec said there's "a great opportunity for a mid-

size SUV." He said company brass is discussing the vehicle.

Browning said another SUV would enable VW to reach a broader spectrum of customers. He declined to offer specifics or discuss timing.

Volkswagen's two SUVs sold in the United States have a more than \$20,000 gap in pricing, with the smaller Tiguan starting at \$23,660 and the

Touareg beginning at \$44,245, including shipping.

The new model could be based on the VW Group's MQB platform, which debuts on the Audi A3 and the VW Golf and will be used for more than 40 of the company's models by 2017. The platform is said to reduce costs and speed development time.

—Greg Migliore, Bloomberg

**Always ask  
the Question,  
“Does it  
Sell Cars?”**

**“AutoAlert  
sells more cars  
at higher  
grosses  
from day  
one!”**

—Garth Blumenthal

Garth Blumenthal,  
General Manager of Fletcher Jones Motorcars,  
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## Do You Have An Integrated Marketing Plan?

- Traditional
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- Store Activation

### SUCCESS STORY



"There isn't another agency in the world with as much insight into the automotive business as Zimmerman. For the past 15 years they have been vital in helping our brand succeed."

-Hanley Dawson, President, Patrick Automotive Group

### SUCCESS STORY



"Yark Automotive Group has once again surpassed our all time sales record in the month of March and in the process had a record 1st quarter in 2012 up 18% over the previous year's record. The strategy and high level of execution that the Zimmerman team has provided us since 1996 has been instrumental in our continued success."

-Doug Kearns, Yark Automotive Group V.P. & Group General Manager

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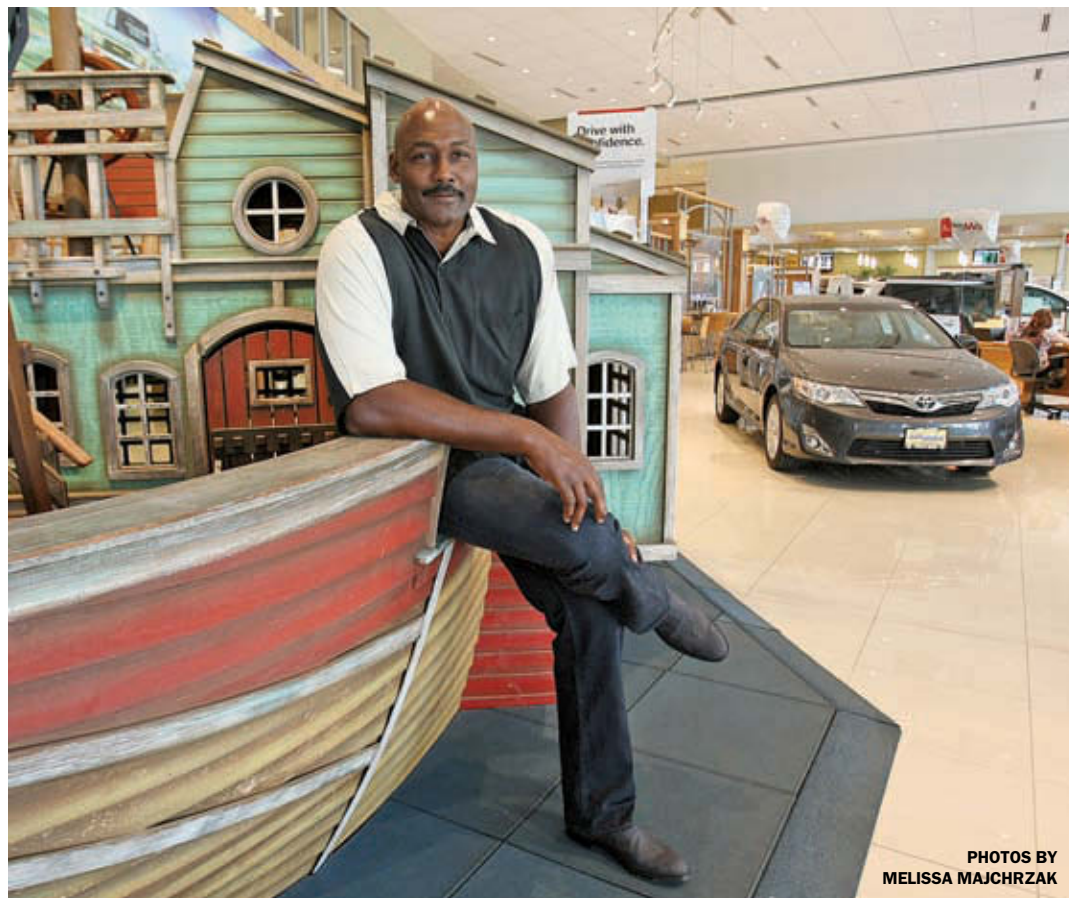
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PHOTOS BY MELISSA MAJCHRZAK

Looking for Karl Malone at his Toyota store? Don't try the office. He's out signing autographs, in the back shop or maybe playing video games with a service customer.



# Former NBA star Karl Malone sells Toyotas the way he played basketball: With passion and flair

## COURTING SALES

David Barkholz  
dbarkholz@crain.com

For former professional basketball star Karl Malone, selling Toyotas amounts to selling ... well, Karl Malone.

His Karl Malone Toyota in suburban Salt Lake City is installing a 100-foot sign that will tower above a nearby freeway and feature three Jumbotron-like screens for promotions.

The second floor of the store is a sports and entertainment museum. It contains the only complete sets of U.S.A. Olympic basketball uniforms worn by Malone and his teammates as part of the "Dream Teams" of 1992 and 1996.

### BEST PRACTICES

The store has an arcade and game room for kids. Then there are computer screens that keep customers posted on the status of their service and repairs, much like the screens detailing flight information at airports.

"We call him Disneyland Dad," says Andy Madsen, Malone's longtime lieutenant and COO. "When Karl shows up, the party is on."

Malone, 48, who was coaxed into car retailing in 1994 by auto retailer Larry Miller, says he has grown to love the business. Today he is majority owner of Karl Malone Toyota, which sells about 300 new and used vehicles per month.

Malone is the National Basketball Association's second-highest all-time scorer. He spent 18 seasons with the Utah Jazz and Miller, who owned the club in addition to heading the Larry Miller Group of auto dealerships.

Malone was nicknamed The Mailman because he delivered winning season after winning season for the Jazz with a deadly jump shot, fierce rebounding and cold-blooded free-throw shooting. He spent his last NBA season with the Los Angeles Lakers and retired in 2004.

Malone has been fully engaged in car selling since 2010, when he and Madsen bought out the Salt Lake City Toyota store from Larry Miller Group.



**"We call him Disneyland Dad. When Karl shows up, the party is on."**

Andy Madsen, COO, Karl Malone Toyota

Malone loves being with customers, Madsen says. He personally handles fleet sales to the oil-service businesses located three hours east in Vernal, Utah. Malone has friends throughout the businesses and loves owning and operating large diesel machinery, Madsen says.

At the store, Malone is famous for glad-handing customers and taking them back to the service bays to check on the progress of the work, Madsen says.

Madsen says he occasionally shakes his head at Malone's operating style. He says Malone has intervened to help employees financially when he learned of a hardship.

"That's not the classic way to run a business," Madsen says.

Malone may be a soft touch in some in-

stances, but there's no doubt he is the boss, Madsen says.

For instance, Malone insisted that the store install customer and employee suggestion boxes in the sales, service and parts departments. It was from those boxes that a customer complained about not knowing the status of a repair. In response, Malone had the electronic status boards installed around the store, Madsen says.

Malone also confesses to other unorthodox selling methods.

On Sundays, when there are no employees around, Malone leaves the inventory lots open and all the vehicles unlocked so window-shoppers can get behind the wheel if they want.

"People love to shop after church when there's nobody around to interrupt them," Malone says. "We've replayed the video [surveillance cameras] of people shopping on Sunday and coming in the next day to buy a car."

Owning a car dealership, even at Larry



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## MALONE Star was reluctant to become a dealer

continued from Page 8

Miller's prodding, was the last thing on Malone's mind during the early part of his playing career. He says he thought it was a patently uncool thing to do in 1994.

"You know, being a car dealer, there was a stigma," Malone says.

But Miller, a dealer extraordinaire, kept bugging Malone to invest in the business.

After ignoring Miller's invitations for months, Malone had his eyes opened by a post-game bucket of cold water that Miller dumped over

Malone's head as Malone showered in the Jazz locker room.

"We had just won a big game and Larry came to me in the shower. He says, 'I need to talk to you,'" recounted Malone.

"Well, I wasn't interested in talking. I had soap on my face and everything. Next thing you know, I feel that cold water on my back."

After the chilly drenching in 1994, Miller gave Malone just two days to hand over \$250,000 as a down payment on a store. A few days later, Malone and Larry Miller Group bought Garcia Toyota in Albuquerque, N.M., and changed the name to Karl Malone Toyota.

In 1997, Malone worked with the Miller group to open Karl Malone Toyota in Salt Lake City and he was

an investor with former teammate and Hall of Famer John Stockton in Stockton to Malone Honda in Sandy, 15 miles south of Salt Lake City.

Malone was largely a passive investor in the three Larry Miller Group stores from 1994 through 2004.

While Miller was alive, Malone says he was happy to concentrate on basketball and let Madsen manage his Salt Lake City store with the assistance of Larry Miller Group affiliates. But as Malone became increasingly involved in the business, especially after retiring from the NBA in 2004, he says he realized it was a lot of fun.

"They tell you at rookie camp that your basketball career is going to end some day and you have to prepare for life after that," Malone says. "I'm telling you the car busi-

ness, done right, is something you can do the rest of your life and pass it on to your kids."

When his friend and mentor Miller died in 2009, Malone got an itch to run the show his own way without the corporate oversight of the Larry Miller Group, Madsen says.

An idea was hatched and executed in 2010 that allowed Malone to trade his equity in the Albuquerque store for all of Karl Malone Toyota in the Salt Lake City suburb of Draper, including 22 acres of real estate. Malone also sold his equity in Stockton to Malone Honda, now called Stockton 12 Honda and majority owned by Stockton.

That's when Malone's boisterous and fun-loving personality began to flavor the business, Madsen says.

Malone flies to Salt Lake City twice a month from his home in Louisiana to run the show. It's as though a Tasmanian devil had been invited in, Madsen says.

Malone walks through the store catching up with employees, signing autographs for customers or stopping by the arcade to play a few video games with the kids.

It fits perfectly with an outsized personality that matches his 6-foot-9-inch physique. But Madsen says Malone is really about offering customers an experience that leaves them happy and brings them back with their friends.

"Honestly, Karl will spend two hours talking with everybody in the store before I know he's even arrived," Madsen says.

### Chief marketing officer

Marketing and operations have changed dramatically outside of the corporate umbrella of the Larry Miller Group, Madsen says.

For one, the store can offer more options from Toyota on financing and extended warranties now that it no longer is encouraged to use only those products and services provided independently by Miller's ancillary businesses, Madsen says.

Before the buyout, lots of marketing dollars went to Miller-affiliated businesses, such as buying tickets to Jazz games or racing events at a locally owned racetrack, he says. Larry Miller Group declined to comment about Karl Malone Toyota.

Malone is in the middle of most of the store's marketing initiatives. He insisted that the store have the huge outdoor sign, for which a zoning variance was required, Madsen says. Malone's TV commercials feature him talking to the audience from a Jumbotron. For a sample commercial, see [autonews.com/malone](http://autonews.com/malone).

Malone also gets the Internet, Madsen says. Since the buyout, the store has shifted \$25,000 of its \$110,000 monthly advertising budget to digital marketing, including Google paid search. That compares with \$6,000 a month previously, he says.

Malone has broken ground on a \$3 million body shop, Madsen said. And he wants to put aside six acres for a separate "credit rebound center." That's where shoppers with subprime credit can get personal treatment as they seek to buy a new car, Madsen said.

The center, which Malone wants to open in spring 2014, would offer customers advice to fix their credit and personal finances, he said.

Said Madsen: "Karl wants this place to be a family experience."

### Still an entertainer

Malone says he eventually intends to build a home in Salt Lake City. But Madsen says that will have to wait a few years.

The youngest of Malone's three daughters is still in high school in Louisiana. And his son, Karl Jr., a high-school offensive lineman, recently committed to play football for Louisiana State University after he graduates next year. His son is even bigger than his dad. Another daughter played professional basketball in the WNBA.

Meanwhile, Malone's frequent stopovers are certain to entertain.

He says: "Originally, I didn't want to be involved in the car business. But athletes are really missing out on an unbelievable opportunity." **AN**

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# opinion

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## Auto lending: Let's try to keep things in balance

Subprime auto loans are back, and that's a very good thing for the industry.

With the U.S. banking industry back on its feet after the 2008 credit freeze and recession, auto shoppers with less than top-notch credit ratings are qualifying for loans again.

That, of course, boosts sales and provides essential personal transportation for millions of Americans.

But we should hold the high-fives until we resolve to avoid the pitfalls that auto lenders blundered into before the recession.

The era's lust for growth overcame common sense. Wall Street used lax standards to provide funds for auto lenders. And lenders, in turn, offered easy credit to buyers.

Easy credit created more and more customers with underwater loans; their loans were worth more than the equity they held in their vehicles. To close sales for underwater customers, automakers had to sweeten deals with huge profit-eroding rebates of, say, \$5,000 or more.

The industry was doing no favor to customers, including many with subprime loans, by selling them autos they could not afford. And the rebate wars of the pre-recession period trashed automakers' profits.

A catchphrase captures nicely the insanity of stupid lending: "We lose money on each sale but make it up in volume."

Now automakers, lenders and customers are in balance. Lenders' auto-loan portfolios are sound after years of lending to mainly prime customers, giving lenders more comfort to expand subprime lending.

And automakers have rebates under control.

But the industry earned today's balance with widespread pain in the bankruptcy period. Jobs were lost. Factory wages were cut. Pensions were reduced or eliminated.

Those sacrifices will be for naught if the industry drifts back to the bad habits of the pre-recession period. We risk returning to the same downward spiral if we forget the lessons of the past.

## Still electrifying

This week, *Automotive News* recognizes 11 new members of the Electrifying 100 — the group of leaders in vehicle electrification that we selected a year ago.

You might wonder why. After all, the past year has seen much of the excitement around vehicle electrification dissipate.

But we still think electric powertrains will be part of the auto industry's future as it strives to make its products greener. The optimum form of electrification is uncertain, as are the adjustments society will make. But electrified vehicles — and the 11 people we honor this week — will be part of the future.

## It won't be long before we know

I have been hearing a lot about pent-up demand.

Many folks think that there are plenty of car owners out there driving around in way-too-old vehicles, just drooling at the chance to go back into debt and buy new cars. Or maybe they'll buy newer used cars, and the sellers will end up buying new cars.

The theory is that there are a lot of people with the financial wherewithal to put down money for new cars and they are the only thing holding us back from a 17 million car sales year.

I don't believe it.

You won't get those buyers when consumer confidence is where it is and there are still millions of people who are nervous about their jobs.

It takes a lot of smarts and a large amount of magic to create a 17 million car sales year. No one understood what was going on a few years ago, right



KEITH  
Crain

before the financial crisis put everything into something just short of chaos.

Yet even in the worst financial downturn in modern times, the auto industry kept turning out millions of cars and trucks. It is amazing how resilient our economy is.

The numbers have climbed back slowly, and everyone seems to be enjoying a level of

profitability that hasn't been seen in a long time ... or ever.

But the industry has learned a lot of lessons from the economic disaster. Suppliers, dealers and manufacturers all seem to understand the difference between good business and just volume.

Everyone was willing to trade volume for anything, not realizing that it was possible to be much more profitable without all the volume.

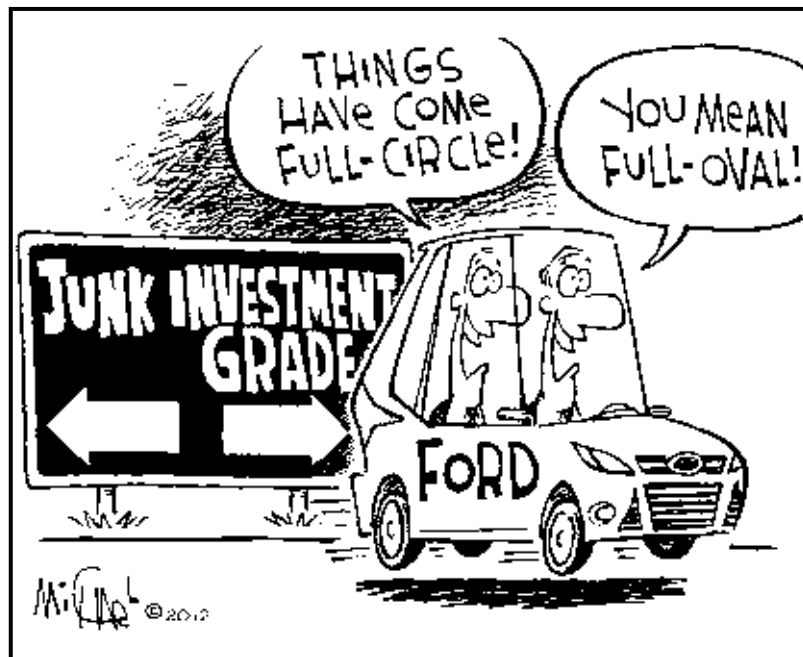
Automobile retailers realized this first

**The theory is that there are a lot of people with the financial wherewithal to put down money for new cars and they are the only thing holding us back from a 17 million car sales year. I don't believe it.**

and have been impacted the most in the way they run their businesses.

Not many folks are chasing volume these days. Some are raising production to satisfy existing volume. Incentives, although still used, aren't as prevalent or as big as we saw a few years ago.

Everyone seems to have learned the lessons. Smaller volume with higher profitability isn't the impossible dream we thought it was five years ago.



We invite letters from our readers. Please limit your letter to 250 words and tell us whether we may print it. We reserve the right to edit it.

Include your name and title, your company's name, your city and state. Tell us what your connection to the auto industry is.

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### LETTERS TO THE EDITOR

#### Reduce accidents; keep eyes on road

To the Editor:

Regarding "Touch pads help industry fight driver distraction" (Production Line, May 21): I don't think so.

I have a 2012 Audi A6 with a touch pad along with 24 other buttons on the console that you have to take your eyes off the road to see and use.

A cell phone is bad enough, but these other distractions are terrible. You have to stop in a safe place to use any of them. So I have used only a few.

Save the money; keep your two hands on the wheel and really reduce accidents.

I have driven on the autobahn in Germany at 125 mph-plus, and I still get passed, so I don't see the University of Munich [and TRW] saying that a touch pad reduced "driving deviations" when every second at the speeds driven in Germany must be with hands

on the wheel and looking without distraction at least a quarter mile ahead.

BILL NEUMANN

CEO  
Automotive Performance Systems Inc.  
Camarillo, Calif.

*The company makes aftermarket performance parts.*

#### Super Bowl ads are fun but ineffective

To the Editor:

I believe Mike Colias missed the point about General Motors' withdrawal from the Super Bowl advertising scum ("5 reasons GM's Super Bowl pass is baffling," Opinion, May 28).

The spots are not effective in selling more cars and SUVs. If they were, GM would not have seen the decline in its market share these past 30 years.

Super Bowl commercials are fun to watch. I was impressed with the Chrysler spots that ran in 2011 and 2012, but they did not change my view on buying a Chrysler one iota.

Buyers are much more influenced by their friends' and peers' choices, and nothing has happened to change that. When GM launches its new large trucks in the coming months, there will be so much information flowing through the print and Internet media channels that the pass on the Super Bowl will be a distant and dim memory.

GM makes the best vehicles in the U.S. market today but cannot seem to get people in various target markets to overcome their skepticism, to get them into the showrooms and test driving the vehicles.

GM marketing chief Joel Ewanick is trying to find a solution, and the decision to give the Super Bowl a pass is one of the best he has taken since joining GM.

MARK RODINO  
London

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- Tony Brown, Group Vice President, Global Purchasing

ELECTRIFYING 100

# 11 new members join EV leaders

Automotive News named its Electrifying 100 a year ago amid cresting industry enthusiasm for electrified vehicles and the benefits they might bring.

Over the past year, these new-tech vehicles have encountered some turbulence in the



marketplace. Likewise, some startups in the field have failed, while other executives have moved on to other jobs.

With that in mind, Automotive News has selected 11 new members of the Electrifying 100, as a reminder both of the changeable nature of the business — and the likelihood that in the long run, electric drive will play a significant role in creating a greener automotive industry.

## Satoshi Ogiso

Chief engineer, product planning group, Toyota Motor Corp.

**Chosen because:** Since taking charge of the Prius nameplate in 2007, Satoshi Ogiso has presided over a family of hybrids that has multiplied to four vehicles: the standard Prius, Prius Plug-in, Prius V wagon and Prius C compact. Today the Prius is the best-selling electrified car series in the world, with combined sales exceeding 432,000 units worldwide in 2011. Ogiso, 51, has been working on the Prius lineup since 1993, when he did advance planning on the first-generation compact. Today he is executive chief engineer of the car's whole planning group, having played a key role in making the Prius name a global byword for "hybrid car."

**Quote:** "At this moment I think that from the practicality point of view, expanding hybrids — regular hybrids — is very important. Some companies say that the conventional gasoline engine will be improved more and more. But that also means that an improved gasoline engine together with hybrid also goes better."

— Hans Griemel

## Bernhard Koehler

COO, Fisker Automotive

**Chosen because:** The native of Germany spent 22 years at BMW Design in Munich, before moving to BMW's industrial design subsidiary in Southern California, where he became director of operations. He moved to Ford Motor Co., heading its Global Advanced Design Studio



in Southern California, and working with Henrik Fisker, then a designer for Aston Martin, on several vehicles. In

2005, Koehler and Fisker launched Fisker Coachbuild, forerunner to Fisker Automotive, which the two started in 2007. As COO, Koehler is responsible for overall operations.

## Robert Galyen

President, global battery operations, Magna E-Car Systems

**Chosen because:** Galyen oversees Magna E-Car's material and battery testing, cell development, battery pack systems design and manufacturing. Before joining Magna, he owned and managed Tawas Inc., which specialized in testing, technical services and consulting related to battery



technology. From 1998 through 2001, Galyen was an assistant chief engineer for Delphi Automotive in its lead-acid battery business. From 1977 through 1998, worked at General Motors. He was lead designer of the battery and battery pack system for GM's Impact, the prototype for the EV1 electric vehicle.

**Quote:** "It will take a concerted effort of science, engineering, policy, testing and validation to assure the battery systems of the transportation sector meet performance, life and safety expectations of the general consumer and first responders."

## Gilbert Passin

Vice president, manufacturing, Tesla Motors Inc.

**Chosen because:** It is clear from reading Gilbert Passin's Tesla blog that he is a traditional manufacturing guy. By hiring Passin, 51, in February 2010, Tesla was confirming that making an electric vehicle requires many of the same skills as producing a traditional car. Passin's challenge is to build the Model S EV sedan in the former New United Motor Manufacturing Inc. plant in Fremont, Calif. His experience as manufacturing chief at Toyota's plant in Cambridge, Ontario, where he launched production of the Lexus RX 350, may help.

**Quote:** "You have to understand, with a fraction of the cost of what others would spend, and a fraction of the time, and a fraction of the resources, we are trying to do something really kick-ass." From *Fast Company*, "Why Tesla Motors is Betting on the Model S," March 19, 2012



— Alysha Webb

## Christina Lampe-Onnerud

Founder and international chairman, Boston-Power Inc.

**Chosen because:** Boston-Power founder Lampe-Onnerud, 45, doesn't seem too upset by being turned down for Department of Energy funding in 2009. "Our company was maybe a little too young," she says. But the Massachusetts battery maker has landed support from an unusual source: the Chinese government.

In September 2011, Boston-Power received \$125 million that included private equity plus grants and low-interest loans from the Chinese government. The investment is funding a lithium ion battery plant near Shanghai to service primarily the China market, but also for export.

Boston-Power claims its lithium ion battery delivers the Holy Grail of EV battery technology: high energy density, long life, fast charging and safety.

**Quote:** "The battery is not an afterthought; it is part of the design. We are very active in the design cycle."

— Alysha Webb

## Phil Murtaugh

CEO, Coda Holdings

**Chosen because:** Murtaugh, who left General Motors in 2005 after having his responsibilities in China diluted in a reorganization, is back where he likes to be: in charge. And though Murtaugh, 57, comes from a traditional car background, he has embraced the brave new world of electrification.



When Murtaugh became CEO of electric car maker Coda Holdings in January 2011, he said his job at Coda was the same situation he faced in China in 1996: to launch a new car. The difference, said Murtaugh, was that he didn't have to negotiate a joint venture agreement.

Leading a tiny start-up company selling EVs, batteries and EV drivetrains is a bit different from being a top executive at one of the world's largest automakers. But it is similar to his job establishing GM's China presence in that Murtaugh once again is entering territory where few have gone before.

**Quote:** "Our markets are cities, not states. For the next several years, I think electric vehicle sales will be focused in cities."

— Alysha Webb

## Tom LaSorda

CEO, Fisker Automotive Inc.

**Chosen because:** Just a few weeks after Tom LaSorda took over as CEO of Fisker in February, the maker of plug-in hybrids hit a rough patch when a Karma driven by *Consumer Reports* stopped working.

LaSorda, 57, issued an open letter reassuring customers he was taking care of the problem.

Taking care of problems is a LaSorda specialty. As co-president of Chrysler in 2009, he helped arrange for Fiat to buy the troubled automaker. LaSorda also helped find private funding for Fisker after the U.S. Department of Energy blocked funds from a government loan because of missed production milestones. LaSorda's manufacturing background could come in handy if Fisker needs to look for a plant — some of the DOE loan money was going to be used to refurbish a former General Motors plant in Delaware.

**Quote:** "We're going to build the car. We're going to launch it with or without the DOE funding."

— Alysha Webb

## George Blankenship

Vice president, sales & ownership experience, Tesla Motors Inc.

**Chosen because:** At Tesla, George Blankenship, 58, aims to do no less than overturn the traditional dealership model. Tesla stores are small, in busy shopping areas, stylish and, most important, factory-owned. Salespeople are there to answer questions about electric cars rather than push customers to buy them. The unusual approach is easier to



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ELECTRIFYING 100

E100

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understand once you know Blankenship's background. Past jobs include vice president of retail strategy at Gap. Blankenship was also the brain behind Apple computer's retail store concept. The jury is still out on whether the Tesla store model will prove effective — or even legal. It faces challenges from assorted state franchise laws against company stores selling cars. Blankenship says the answer is to do the actual selling online.

■ **Quote:** "We are interacting with people who are not thinking about

buying a car today. We are explaining electric transportation. We are carving a niche where we are informing and engaging with people."

— Alysha Webb

**Eric Kuehn**

Chief engineer, global electrified programs, Ford Motor Co.

■ **Chosen because:** Kuehn is responsible for Ford's program development and delivery of electrified products, including hybrid, plug-in hybrid and electric vehicles.

Kuehn guided his team as it readied the Focus Electric for launch last year. He managed



been at Ford since 1986, primarily in the areas of product development, vehicle testing and vehicle manufacturing.

■ **Quote:** "The team comes to work each and every day knowing that there are increasing expectations on the delivery of great electrified vehicles. When combined with our drive to meet our core values of safety, quality,

every detail or part that went into the Focus Electric, including the liquid cooled battery system and electric motor. He has

smart technologies and green solutions, the motivation for the team could not be any higher."

**Myung Hwan Kim**

Senior vice president, battery Research and development, LG Chem

■ **Chosen because:** LG Chem of South Korea generates annual battery sales of \$8.5 billion for consumer electronics and other markets. A wholly owned subsidiary, Compact Power Inc., has won several battery contracts, including one for the Ford Focus Electric. It is one of the Asian battery suppliers poised to dominate the global automotive market for lithium ion batteries,



according to a report by Pike Research of Boulder, Colo. Kim directs LG Chem's research into batteries for electric

vehicles, plug-in hybrids and hybrids.

■ **Quote:** "The reason we were able to sign deals with companies like GM, Ford, Volvo and Renault, is we copy nobody's technology, but lead the market with our own."

— Dave Guilford

**Robert Iorio**

Manager, electrified propulsion systems implementation, Ford Motor Co.

■ **Chosen because:** Robert Iorio began his Ford career in 1988 as a manufacturing engineer in the electronics division. Today he is working on Ford's new family of electrified vehicles, the 2012 Focus Electric, 2013 C-Max hybrid electric and Energi Plug-In and 2013 Fusion hybrid electric and Energi Plug-In.

In 2010, Iorio and his calibration team won the Hermance Award for the Ford Fusion Hybrid, creating an



industry benchmark for overall hybrid-powertrain function and refinement. The Hermance Award panel said: "Ford's engineers did a remarkable job in smoothing the transitions from combustion engine to electric drive, including stop/start, acceleration and cruising."

■ **Quote:** "My engineers keep Ford's patent attorneys busy with new ideas almost daily. They are charged with the responsibility to ensure our electrified vehicles have a dynamic soul, and are not just quiet cars with fancy motors."

— Dave Guilford

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Automotive News initiated the Electrifying 100 last June to recognize the global leaders in vehicle electrification. The original list is online at [autonews.com/e100](http://autonews.com/e100)



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There is no consistent industry-wide policy on how auto auction companies handle the sale of vehicles that have been recalled but not yet repaired, based on their responses to a recent controversy and legislation introduced in the Senate.

*Automotive News* contacted auction companies after Enterprise Rent-A-Car and Avis Budget Group Inc. said they would not rent or sell recalled vehicles that

have not been repaired.

Manheim, the largest U.S. auction company, requires sellers to announce specific defects at the time of sale, in line with the policy of the National Auto Auction Association.

"This policy does not require sellers to perform recall inspections prior to selling vehicles. However, it does hold sellers responsible for announcing specific defects identified in this policy," Craig Amelung, Manheim's senior director of operational excellence, said of the NAAA policy.

ADESA Auctions, the second-

largest auction company, handles recalled vehicles case by case.

A spokesman for Ally Financial, which operates the SmartAuction online wholesale auction channel, said, "Our buyer and seller agreement requires the buyer of any vehicle to repair any and all safety recalls before the vehicle is resold, redelivered or operated."

### Boxer's letter

The rental-car companies' pledges came in response to a letter last month from Sen. Barbara Boxer, D-Calif., to the CEOs of U.S. car-rental companies Enterprise, Avis and Dollar Thrifty asking them to adopt such a policy.

In her letter, Boxer noted that Hertz Global Holdings Inc. already had adopted that policy.

Boxer and Sen. Charles Schumer, D-N.Y., introduced the Safe Rental Car Act in the Senate. The bill would prohibit car-rental companies from renting recalled vehicles that had not been repaired.

Enterprise CEO Andrew Taylor told Boxer in a letter that the company's policy forbids the rental or sale of recalled but unrepaired vehicles.

He noted that in rare circumstances Enterprise has used interim measures recommended by automakers to temporarily fix a vehicle until a permanent solution is available. He cited Toyota's suggestion that companies remove floor mats after the mats were blamed for interfering with accelerator pedals, leading to recalls in 2010.

Taylor said Enterprise no longer would use such interim measures.

The Safe Rental Car Act was prompted by the deaths of Raechel and Jacqueline Houck in a 2004 car accident in California. The Houck sisters were killed when the unrepaired recalled vehicle they rented from Enterprise burst into flames and crashed, according to reports.

Taylor mentions the accident in his letter, stating that the company and the car-rental industry have been working with manufacturers to adopt formal procedures for dealing with recalls.

Enterprise Holdings is the parent of the Enterprise, Alamo and National car-rental companies.

### Interim measures

Avis Budget Group said in a statement that it had established a policy to not rent or sell cars under recall, and that it had responded to Boxer's letter. But Avis did not indicate whether it uses interim measures to fix vehicles temporarily, and it did not release its response to Boxer.

Company representatives did not respond to requests for further comment.

Boxer responded to Avis in a letter asking the company to clarify its policy for rentals and sales, saying that the company's response was unclear. She cited a letter Avis sent to the National Highway Traffic Safety Administration in which the company said it allows some vehicles with minor recalls to be rented.

Avis has not released a response to Boxer's second letter. Avis Budget Group is the parent of Avis and Budget. **AN**

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# Bad for Business and Confusing to Consumers

Back in 2008 Annette Sykora, who was then chairman of the National Automobile Dealers Association, published a commentary in *Automotive News* titled, "Give every dealer the same chance." Her comments went directly to the heart of a dealer issue that's been around for some time, but seems more relevant today than ever: Manufacturer-developed stair-step vehicle incentive programs.

NADA has had a long-standing position in support of a level playing field, meaning lawful, equal and fair treatment by a manufacturer for ALL its dealers, both large and small. Unfortunately, history shows that, at times, manufacturers' incentive pricing programs create short-term incentives that favor the larger, more urban dealerships to the detriment of the smaller, more rural dealerships. Recent history also shows that the long-term effects of discriminatory programs are to marginalize the smaller dealers and place them at a competitive disadvantage in their marketplace.

These programs also have a tendency to cause confusion among consumers and dealers as to the actual dealer cost of vehicles. This leads to consumer doubt and mistrust that reduces the value of the manufacturer's brand. It also undercuts the goodwill between consumer and dealer. This is certainly not good business for either the OEM or the dealer.

Dealers of all sizes have recognized the inherent unfairness of a manufacturer's discriminatory pricing that tilts the playing field in favor of some dealers. For example, Earl Hesterberg, CEO of Group 1 Automotive, emphasized the perniciousness of these stair-step programs as recently as the May 21st edition of *Automotive News*, where he characterized them as "... a cancer in the industry that isn't good for dealers or customers." The fact is, manufacturers can unfairly create real competitive disadvantages for some dealers and cause real customer confusion and dissatisfaction in the marketplace.

I will close with a paraphrase of what Annette said back in 2008, which is just as relevant today: The best way to maintain a level playing field is for factories to focus on what they usually do so well: build quality cars and trucks and avoid disparate treatment of their dealers that can limit their ability to compete. Let ALL dealers do what they do best: vigorously compete in pricing, service and otherwise for the customer's business.



William P. Underriner  
Chairman, National Automobile Dealers Association  
and  
President, Underriner Motors, Billings, Montana

NADA, founded in 1917 and based in McLean, Virginia, represents the nation's new-car and -truck dealers, domestic and international.



## Blue Oval is worth a chunk of change

David Phillips

For thousands of motorists, the Blue Oval is just another hood ornament whizzing by on an expressway. But for Ford, there is real money being mined in that famous trademark beyond the grille of a new Explorer or F-series pickup.

Ford, as *Forbes.com* reported in May, has a thriving \$1.5 billion business licensing the Blue Oval and various corporate trademarks for video games, die-cast car models and other merchandise — even pool tables. That's up an amazing 50 percent from \$1 billion in 2005.

So it was no understatement when high-fives busted out of the Glass House in Dearborn, Mich., after the second of three credit-rating agencies lifted Ford debt out of the junkyard, allowing the automaker to recover full rights to the Blue Oval

from **autonews.com**



**David Phillips is deputy managing editor of autonews.com. This appeared on our Web site as a blog recently.**

and other assets. Ford surrendered the Blue Oval as collateral for the first time when it secured \$23.5 billion in new financing in 2006.

Ford's financial turnaround has been well-documented, but the intangibles are making the difference in its recovery.

Ford has roughly 400 licensees today, up from about 300 in 2004, *Forbes* said, and the automaker granted about 18,000 product approvals in 2011, up from about

15,000 two years ago.

The "Built Ford Tough" slogan was recently licensed for clothing at Forever 21, *Forbes* said, and a Ford line of Tervis Tumblers debuted at Bed Bath & Beyond last year.

But it's the Blue Oval that has recovered the most. John Nens, Ford's brand lord in charge of licensing and corporate identity, told *Forbes* that the Blue Oval has raced ahead of the Mustang and "Built Ford Tough" on the wish lists of licensees.

For corporate giants such as Ford, licensing is simple. Use it to build the brand, then to protect the brand.

All told, *Forbes* said, retailers sold about 45 million pieces of Ford-branded merchandise last year, up from about 40 million pieces five years ago. Not shabby for an automaker some investors left for dead a few years back.

## Private equity was good for Obama — why not Romney?

Mike Jackson

Private equity principles turned around General Motors and Chrysler, so why aren't they good enough for Mitt Romney and Bain Capital?

The irony of this presidential campaign fight about private equity just blows my mind.

I admit it. I am a free-market Republican who is staunchly against government intervention in business. When companies or even banks make mistakes, they should accept the consequences and go out of business.

Every 50 or 100 years, however, economic circumstances develop that are so dire that you have to hold your nose and ask government to intervene.

That was the case with the financial meltdown nearly four years ago that followed the Lehman Bros. bankruptcy. President George W. Bush and Treasury Secretary Henry Paulson did the right thing by using funds from the Troubled Asset Relief Program, or TARP, to keep GM and Chrysler alive.

When the Obama administration took over in January 2009, it decided that rather than just kick the can down the road by bridging the companies over their immediate crisis, it would restructure them by tackling the deep-seated problems.

To get the job done, it needed some experienced financial types. So the Treasury Department signed up former private equity executives Steven Rattner, Harry Wilson and others to put their private equity expertise on the auto task force.

What did Rattner and company do? They used classic private equity tactics that had been successful in the past. They restructured the companies to make them leaner and more efficient. With the power of the federal government behind them, they demanded that factories be closed and workers laid off. They slashed wages, pushed executives aside, cut retirement and health benefits and sent dealers packing. Along with the financing provided by the government, they raced GM and Chrysler through fast-track bankruptcies after stripping their overhead expenses and cleansing their balance sheets.

President Obama and the auto task force produced a huge success. Countless jobs were saved in the long term. Both companies are now profitable and, though still challenged by foreign competition on a number of fronts, they are healthier than they have been during my 30 years in the car business.

Private equity has its share of success stories in the auto industry. In 2007, Centerbridge Partners invested \$500 million in bankrupt parts maker Dana Corp. It formed an alliance with the UAW and the United Steelworkers, enabling Dana to contribute cash and stock for retiree benefits, cut costs and

COMMENT



**Mike Jackson is CEO of AutoNation in Fort Lauderdale, Fla.**

strengthen the company's capital structure. Dana emerged from bankruptcy in 2008 and is now solidly profitable, having made \$219 million in 2011. Far from cutting and running, Centerbridge still owns 9 percent of the company.

So, if you ask me, it is the height of irony — and hypocrisy — for the Obama administration to criticize Romney and Bain Capital for using the exact same strategies and tactics in private equity that worked so well in one of the administration's signature achievements.

You probably have heard about the ad. It pictures Romney as a greedy capitalist who loots companies and fires workers, and it features one laid-off employee who calls him "a vampire." Romney's sin: trying to rescue a Missouri steel company, GST Steel, after taking it over, only to see it go bankrupt eight years later.

The president says Romney shouldn't be using his Bain experience to demonstrate his skill at handling public finances. "If your main argument for how to grow the economy is, 'I knew how to make a lot of money for investors,'" Obama said, "then you're missing what this job is about."

But Obama himself is at the same time campaigning on his signature domestic achievement of restructuring the automotive industry using private equity principles to stimulate economic growth. If the president decides he needs to criticize Romney's record at Bain Capital, he can't take credit for saving the auto industry.

Everything is fair game in politics. But anecdotes about the failure of some private equity investments don't excuse the hypocritical argument coming from the Obama administration. This crosses a line of extreme intellectual deceit.

### What do you think?

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➤ After holding numerous Ford posts for short stints, Mark Fields has spent seven years as president of the Americas. | PAGE 30 |

## TALK FROM THE TOP: MARK FIELDS

PRESIDENT OF THE AMERICAS, FORD

# Fields on Ford N.A.: Much accomplished, more to do

**N**orth America has become Ford Motor Co.'s profit machine, in contrast to losses in Europe and growing pains in Asia. That has positioned Mark Fields, Ford's president of the Americas, as a leading candidate to succeed CEO Alan Mulally.

But Mulally hasn't hinted when he will leave, and Fields, 51, faces challenges. Several redesigned nameplates must be launched smoothly this year to halt a slide in Ford's U.S. market share. The company needs to reinvigorate the nearly comatose Lincoln brand.

Ford also hopes that a recent modification of its MyFord Touch system of controls for infotainment and other vehicle functions satisfies consumers, who had marked the brand down in quality surveys because of the system's flaws.

Fields became president of the Americas in October 2005. During his fast-track career he has been CEO of then-affiliate Mazda Motor Corp. and executive vice president of Ford of Europe. He sat down with Industry Editor James B. Treece and Staff Reporter Bradford Wernle to discuss the challenges facing Ford.

**Q: You have two huge launches this year, the Escape and Fusion, amid a lower days supply than you've had in years past. Are you going to have enough cars to keep dealers supplied?**

**A:** We've talked with our dealers. They know our plans for the production of our run-out models, and they know the plan for the ramp-up of the production of our new models.

They understand what's coming. They understand our marketing plans, and the good news is we are now shipping new Escapes to our dealers. We're off to the races on launching a very important vehicle for us. Then later on, the Fusion.

**Escape buyers got a lot of vehicle for their money. Dealers worry that with the more modern redesign, the price will move up and consumers won't see the same value proposition.**

I would just look at the success that we've had with the Focus. A lot of similar themes there, in terms of new design, new technology, the level of feature we've put in the new vehicle. Focus sales are up year-to-date 57 percent, and transaction prices are up. So I think consumers are seeing the value in the product.

**Speaking of the Focus, its sales are up, but the Fiesta has been off. Why?**

You have to look at the cadence. Last year at this time we were literally just a month into launching the Focus, and we were already in the marketplace with the Fiesta for a little less than a year. We had a lot of initial demand for the Fiestas.

Now we have the Focus in full availability, which is great, and I think the Fiesta is at about the current levels that we expect it to be. I think we're seeing a natural kind of level for the sales and share for each of those.

**Ford's fleet sales are probably higher than just about anyone else's. Is that good?**

Fleet is good business — with the caveat that you have to manage it appropriately.

Our fleet sales are about a third of our total sales, but when you look at daily rentals as a percentage of our total sales, we're lower than the competition.

Look at commercial sales. We sell a lot of our trucks into commercial fleets, which is good business. Then you have the aftermarket, the parts and service business that you get after the acquisition of the vehicle.

You just have to make sure you manage it appropriately and don't get overextended.

**You took a hit from consumers on MyFord Touch. Has the modification fixed that issue?**

We're getting early indications that customers are very happy with the upgrade. We don't have all the hard data in yet, but a lot of the anecdotal data — talking with customers, dealers, service managers — they love the fact that we've made it easier to use. We've made it more re-



### AUTOMOTIVE NEWS: Does Lincoln need a halo car?

#### MARK FIELDS:

We want to make sure every vehicle that we bring out with Lincoln is a halo car, and I think the MKZ is a great example in terms of where we're heading.

sponsive and more intuitive to use, so the feedback we're getting is that it's a big improvement.

Customers also appreciated how we delivered it to them, when we gave them the option of either install it yourself or go back to the dealership. And they really appreciate that they were able to get a brand-new — literally, a brand-new — MyFord Touch system in a vehicle that some purchased even two years earlier.

**You've helped dealers financially so that they can have people train customers in MyFord Touch. Will that continue?**

We'll have to see. It's a little bit of a generational issue as well. I mean, I've got a couple of teenage sons. They never open a manual. To them, using software is second nature. Baby boomers like myself and people that are older, sometimes they might not have as much affinity to that. We need to make sure that in our dealerships that we can support all of those [customers].

**In many ways Ford is humming along in North America — adding shifts, coming out with new vehicles in major segments. In what areas would you like to see North America improve?**

All the good work of all the team members has produced a business that's on a much firmer foundation than we were a number of years ago.

Just to put that into perspective, the first quarter was a record for us since we've measured North America as a business unit — since 2000.

The previous record for absolute profits and margin was in the first quarter of 2004. In 2004 we had 3½ points more market share, the SAAR [seasonally adjusted annualized sales rate] was 2 million units higher, and we sold

about 35 percent more wholesales versus the first quarter of this year. That gives you a sense for what the team has been able to do in terms of really adjusting this business.

Every day we walk in the door, we know that we need to do better. On a weekly basis, we look at the competitive business environment. It's important we celebrate successes with the teams. At the same time, it's important to understand that there's not a finish line and there's some very, very good competition out there.

A couple of things. One, with every product, we're taking the approach of product excellence and making sure our product execution is at a very high level, both from the vehicle itself but also the production launch.

Secondly, continue to eliminate waste in the company. There are still lots of opportunities as we learn to work smarter to avoid duplication of efforts, to become more efficient. As we become more efficient we can reinvest that effort or that bottom-line benefit right back into the product lineup.

Third is continue to look at really innovative ways of connecting with consumers, whether it be traditional media or social media. There are still a lot of opportunities for us to stay in the forefront of connecting with consumers in a very authentic way.

**Why does Ford need a luxury brand?**

I think any successful global automotive company is either dedicated to luxury or has a luxury arm. As we've grown the Ford business and as we have more consumers introduced for the first time to Ford, over their lifetime they may have the opportunity and the aspirations to purchase a luxury vehicle. It would be a shame to be growing our Ford business and then having customers have to look elsewhere to move up.

The second important element of that is that in the luxury brands, you can incorporate new features and new technologies. As you get experience with that in the luxury [brand], you can then incorporate it later on down into your volume brand.

**Some dealers are still wondering, is there really the commitment to Lincoln to make it work? What would you say to say to them?**

First and foremost, we are very much committed to making sure that Lincoln is a success and we turn it into a world class luxury brand.

I would only ask the dealers to not only listen to our words, but watch our actions in terms of the products that we put out into the marketplace, in terms of working with them on the consumer experience and the dealership experience — both on the hardware end of it in terms of facilities, and also the software piece of it in terms of how consumers are treated.

Watch our actions in terms of our dedication of personnel who are fully dedicated to thinking about Lincoln 24/7.

**How big is that team?**

The team is probably over 100 folks: field personnel, design personnel, product development personnel. They're an energized group. It's great because we've been able to attract folks from other luxury brands to come to Lincoln and to be part of the renaissance. It's really a great dynamic on that team and they're very, very passionate about succeeding.

**You talk about it as a journey.**

This is a long-term project. We know very clearly that the best brands, and particularly the best luxury brands, are built over a period of years. The most important thing is consistency of purpose year after year after year.

**At the annual meeting, Chairman Bill Ford supported CEO Alan Mulally's staying around for a while. You're a patient guy, but how do you feel about that?**

Listen, I think Alan is providing great leadership for the company. My ambition is to contribute as much as I can to the profitable growth of Ford. That means continuing to lead the Americas and make our contribution to the company, and I'm very happy with that. **AN**

# TALK FROM THE TOP: JOHAN de NYSSCHEN

PRESIDENT, AUDI OF AMERICA

## Audi of America sees a year of 2 halves: Good and better

Since taking the helm seven years ago, Audi of America President Johan de Nysschen has led the luxury brand through an unprecedented growth period.

Just two years ago, Audi's U.S. sales topped 100,000 for the first time. Its share of the luxury market has climbed from 5.3 percent in 2004 to 9.5 percent last year, and the Volkswagen Group-owned brand is quickly gaining on its key competitors, BMW and Mercedes-Benz. Last year, it sold 117,561 vehicles in the United States, a 16 percent increase over 2010.

This year is off to a good start and Audi is gearing up for another record sales year, said de Nysschen, a native of South Africa who led Audi of Japan for five years before taking charge of Audi of America.

De Nysschen, 52, spoke at Audi of America's headquarters with Staff Reporter Christina Rogers about the challenges and opportunities the brand faces as it continues its U.S. expansion.

### Q: How's the year going so far? What's your outlook for 2012?

**A:** For us at Audi, it has been a satisfying year coming off a really strong 2011. We've been able to maintain that momentum into this year with our 16th consecutive all-time monthly sales record in April.

The first quarter is good. This year, for us, will be a year of two halves. The first half is going to be good. The second half is going to be very good. And the reason for that is we've been going into the year with very tight inventories. The matter is somewhat compounded by the reality that both our A4 and A5 models are at the point of a model year changeover, receiving mid-life-cycle refreshes. And so we weren't really in a position to build up large inventories of these cars with the product change. So we were very tight on inventory on those cars.

The colleagues in Germany have taken some steps to ensure they can assist us to bring supply and demand into better balance in the United States, as we ramp up production of the refreshed A4s and A5s, followed a little bit later this year with the refreshed Q5.

We've got three volume models that will be really fresh with significantly increased production in the second half of the year. That is why the second half performance is going to be far stronger than the first half. Nevertheless, sales for us are up 15.8 percent year to date. Our market share growth continues unabated. April we hit 10.5 percent of the luxury sector. Year to date it's around 10 percent.

### How will you finish this year compared with last year?

We'll certainly exceed last year's performance. We did just shy of 120,000 units in 2011. Our budgeted increase was to take that up around 10,000 units. I think we'll exceed our budget handsomely.

Frankly, I think sales will finish this year somewhere between 135,000 and 140,000, and that is going to depend largely on supply. December is always a seasonally strong [part of] the year. If we can get a lot of product in early in December that will make a difference whether the number is closer to 135,000 or 140,000.

### How is Audi doing regarding its goal of 200,000 annual U.S. sales by 2018?

If you think about it, we celebrated a goal that had eluded us for so many years of breaking the 100,000 mark in 2010. You and I are sitting here today speaking of beginning to test 140,000 this year. And 2010 was just the other day. What is really important is that the 200,000 goal is not, for us, something we have to reach within a defined time frame, and neither is it, for us, a measure of success.

The 200,000 target will be attained as a consequence of getting a lot of things in our business right and this has really been my philosophy for all the years I've been head of Audi in the United States.

This is a long-cycle business. Establishing Audi as a powerhouse luxury brand in the U.S. in the same way the brand is perceived in Europe and Asia is a long-term project.

### What does Audi expect of its dealers?

One of the great progress points we've achieved in the United States, along with market share growth and prof-



### AUTOMOTIVE NEWS: Why is it important for Audi to expand its high-performance S and RS lines in the United States?

**JOHAN de NYSSCHEN:**  
Audi is not only a luxury brand, it's an aspirational brand. So it has great emotion as part of the brand character. And these cars really do drive emotion like nothing else. It creates an affinity. It creates not only that aspirational character, it bolsters the appeal of the entire range.

itability, has been to establish a really, really solid working relationship with our dealer partners.

Relations between Audi of America and its dealers have never been stronger. We just received a week ago the results of the latest [National Automobile Dealers Association] dealer attitude survey.

Audi continues to make progress. We've further reinforced our position as being the luxury brand which dealers expect will most increase in value in the future. And through that they express their confidence in the brand and their willingness to invest.

This all goes back to 2009 when the financial crisis hit us. We had 42 dealer development projects under way. Not a single one was canceled despite the economic turmoil.

I think that says a lot.

We see now our exclusive network already represents over 80 percent of new-car sales. And we are currently in discussion with our dealers because we have to expand capacity to provide for our future growth.

We will be further expanding and upgrading facilities in the next 24 months, perhaps 30 months — some projects take long — at 110 stores. That's about one-third of our network that will be renewed and expanded in the next 24 to 30 months.

### Will Audi add stores?

We're not actively embarking on increasing the number

of stores. We've long made a commitment to our dealers that we wish to grow with them.

The general philosophy we have at Audi, as our market share grows, a market territory that might be handled by a single point begins to justify the addition of a second point on the assumption we have a good dealer partner. Then, we'd like to discuss an expansion into a second point with that partner. It's only in exceptional cases that we will not follow this.

By and large, we think our footprint as it exists today is adequate to cover our intermediate needs. There may be a handful of cases. They are related to demographic shifts and development of the market predominantly in the South.

Texas is an area we might add a few more points. But this is not a major driver for us.

### Audi plans to build the next-generation Q5 at a new plant in Mexico starting in 2016, but Q5 inventory already is constrained. How do you plan to boost supplies in the meantime?

We're certainly looking at the overall global market development very carefully right now. There is this threat of some economic contraction in Europe. We are in a position that if any surplus capacity becomes available through a reduction in demand in Europe, the U.S. could certainly take that over.

We are at this critical stage with the midcycle refresh of the current Q5. With the potential for weakening demand in Europe, the question is whether now is the time to invest in a third shift to increase the supply.

The U.S. represents a very substantial market for this car. Our dealers have seen supply now consistently above 2,000 a month. However, we're still struggling to build inventories. I don't think we have yet tested the full potential for the car in this market.

We're asking ourselves the question. We haven't found the answer yet. What steps do we need to take to bring the supply to a level between 2,500 and 3,000 a month?

### How will the Mexico plant change Audi's situation in North America?

It brings so many benefits I wonder if I can list them all. The Q5, A5 and the A4 — all three are built in our Ingolstadt assembly plant. The immediate benefit of moving the next generation Q5 out of that factory means we can rebalance the lines and reallocate that freed-up capacity to build more A4s and A5s.

Then, as far as the Q5 is concerned, by setting up global manufacturing of the car in Mexico, we'll have a pretty high degree of local content with existing suppliers in the North American dollar zone. It allows us to develop a natural currency hedge.

That means we can focus our efforts on optimizing our business model here and not getting in the trap where exchange rates dictate what you can do. That means we can grow uninhibitedly.

Now when it comes to improving supply of the Q5 in the U.S., we have to bear in mind that suddenly we'll have a whole factory dedicated to a single product. So the overall production capacity for Audi globally of Q5 is significantly increased.

Then, we have much shorter supply lines for cars from Mexico, and so not only do we get more cars, but we get them more quickly.

### As far as SUVs, what are the plans for the Q3?

We had announced previously that the Q3 is coming to the United States. The regulatory environment with regard to classifying the vehicle as a truck requires some design changes to the car, which is the reason why we're not able to introduce the car in the immediate future.

We are busy working with our designers in Ingolstadt to bring it into compliance with U.S. regulations. And we'll probably introduce that car when the European version gets its mid-life-cycle product refresh.

### When is that?

2014. **AN**

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# L.A. is new global nerve center for Lexus

**Mark Rechtin**  
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LOS ANGELES — When global responsibility for Lexus was shifted from Japan to California a couple of months ago, the idea was to set strategy where the luxury brand has been most successful.

Worldwide marketing and product planning now is based at Toyota Motor Sales U.S.A. in Torrance, Calif. The new global boss is Lexus' U.S. general manager, Mark Templin, who wants to create an image for the brand that packs more emotional punch.

Toyota executives in Japan still will collaborate on Lexus decisions. After all, Toyota and Lexus vehicles share some platforms and components. And some product planning still will be handled in Japan, as well as various product and marketing functions. But the nerve center for Lexus is now Los Angeles.

"We want to create a global consistency," said Templin. "We haven't had a hub for centralizing our message. Now we can do that. We're at a point where we're ready to grow and enter more markets. So we want to create consistency before growing more."

Templin knows it isn't easy to create a harmonized, international brand image, since countries and cultures have different ideas of luxury. But he says one thing is clear.

"Our brand needs to be more emotional," said Templin, who earlier in his career ran Toyota's Scion youth brand. "In the past, we talked about the perfection of our product. But the 'Pursuit of Perfection' idea lacks emotion. We can't communicate how great we take care of the customer."

He added: "People need to know that we're emotional and fun, and not the boring brand that they perceive us to be."

## Chasing Audi

As inventories dwindled after the earthquake last year in Japan, Lexus fell behind BMW and Mercedes in U.S. luxury sales. Lexus sales fell 13 percent in 2011, to 198,552, and are up only 3 percent this year. Templin said Lexus has aggressive growth targets but declined to say if Lexus covets the volume crown again.

Brian Smith, Lexus' U.S. marketing vice president, says that among Lexus' German rivals, Audi has done the best job of coalescing



Mark Templin, left, and Toyota CEO Akio Toyoda display the new Lexus GS sedan. Templin now oversees Lexus' worldwide marketing and product planning.

its global image. He wants Lexus' global divisions to follow that lead.

"We have some competitors with great global scale," said Smith. "We will never be equal to the German brands in some aspects. But this will help us a lot and focus our dedicated resources on Lexus."

On the product side, Templin is planning global uniformity rather than differentiation.

"From an efficiency standpoint, we want to put our resources into global products, not individual cars for individual markets," he said. "There are enough different needs for safety and emissions in different markets. So for right now we're developing global vehicles with different powertrains."

Previously, the executive overseeing the Lexus global product and marketing planning was Karl Schlicht, a Canadian based in Japan. When Schlicht was rotated to run Lexus' European operations, Toyota added the Lexus global job to Templin's responsibilities.

Lexus' International Brand Team has an office at Toyota Motor Sales U.S.A. in the southern Los Angeles suburb of Torrance, with two Japanese staffers as part of an eight-person

team that will grow to a dozen or more.

The Lexus product and marketing team in Japan has four Americans, two Brits and one team member each from Australia, South Africa, China, Taiwan and the Middle East. Another employee from Europe is coming soon.

It's all part of Toyota CEO Akio Toyoda's move to make the automaker more international.

"This group reports directly to Akio," said Templin, who now spends seven to 10 days a month in Japan. "He looks to us to show the company how we can make fast decisions with less bureaucracy and a more international thought process."

## No good idea refused

The international team shares best practices from all markets, from preparing training manuals to handling service loaners. But it is more than just shoveling content into a master database for other Lexus divisions to access, he said.

"You need people to bring it to life," Templin said. "We have a person who has a rela-

## Lexus hot spots

The top 5 markets for Lexus in 2011

	UNIT SALES
1. U.S.	198,552
2. China	56,377
3. Japan	42,365
4. Russia	13,698
5. Canada	13,364
Global total	403,939

tionship with the Middle East and knows all about their business and can recommend which assets to leverage."

Japan and the United States won't be the source of all ideas. Lexus' European agency created some much-praised work for the GS sedan that the U.S. division will borrow, said Smith.

"It's not about sharing commercials," he said. "It's about understanding what makes brands strong, and to share that with all our countries where we do business."

## Nagoya was in charge

Global dealer meetings already are held in the United States. Last year 161 Lexus managers representing 130 markets attended a meeting in Las Vegas. This year more than 200 are expected, Templin said.

Lexus has had a global "communications council" in place for 10 years, and a global executive council of leaders of Lexus' largest markets has met regularly on product and marketing issues for five years. But Nagoya ran the show.

When Templin is concentrating on Lexus' U.S. business, his lieutenant Andrew Kirby in Nagoya makes sure global issues are kept on track. And when Templin is conducting global business, Lexus' U.S. operations are split among Smith; Tim Morrison, vice president of sales; and Andrew Coetzee, customer relations vice president and one of Schlicht's early lieutenants in Japan.

Even when Templin is traveling in the United States, though, his time is split.

"I was in Miami last week," Templin said, "but I was there for a Lexus Latin America conference." **AN**

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## LOW-KEY Mitsubishi's EV is off to a slow start

continued from Page 4

i sales, Hasegawa said. American consumers have also been slow to adopt alternative powertrain vehicles in general, he said.

"The U.S. market is hesitating on this kind of new technology," Hasegawa said. "Taking these circumstances into account, we need to readjust our speed of deployment in the market."

### Low profile

The quiet launch has meant sales and awareness of the vehicle have

been confined largely to EV enthusiasts.

According to data from market research company Compete Inc., the i attracted about 4,700 in-market online shoppers in April, its best month so far. The Nissan Leaf averaged at least 10,000 monthly shoppers for most of the last year before dipping to a low of about 8,000 in April, said Dennis Bulgarelli, director of Compete's automotive practice.

Nissan sold 3,729 Leafs in the same six-month period in which Mitsubishi sold 295 units of the i. In the Leaf's first six months on the market, Nissan sold 2,186.

"Nissan had a lot of advertising support behind the Leaf and for electric vehicles and technologies in general," Bulgarelli said.

**"The U.S. market is hesitating on this kind of new technology."**

Masatoshi Hasegawa

Aaron Bragman, an analyst with IHS Automotive, said Mitsubishi suffers from its relatively small size in the United States, complicating the already challenging task of selling EVs.

But, he added, "I'm not sure there is a big huge launch or rollout strategy for the i, other than bringing it to market and seeing how it'll do."

Scott Grove, a Mitsubishi dealer with two stores in the Chicago sub-

urbs and chairman of the brand's national dealer council, said the i's low profile and slow early sales reflect the overall slow sales of EVs in general.

Grove, who has sold 11 units of the i so far, said the vehicle's greatest value is as a halo product, highlighting the technological capability of Mitsubishi. Said Grove: "This halo product doesn't need to be a volume thing. It just needs to be known and revered."

### Slow start

Sales of the i have grown slightly since December, but the company has yet to sell more than 100 units in a single month. (See chart, Page 4.)

The low early results were caused in part by Mitsubishi's phased

launch of the EV, Hasegawa said.

Sales began late last year in Oregon, California, Washington and Hawaii. Nine other states began sales in March. The i now is on sale in all states except Alaska, Wyoming, Idaho, Montana, Nebraska and North Dakota. By the end of June, roughly 300 of Mitsubishi's 400 dealers will be certified to sell the car.

But even in some West Coast markets that have been selling the i the longest, sales have been sluggish. The West Coast dealer who asked not to be identified, whose dealership is in one of the most EV-friendly markets in the country, said the dealership has sold just one i in the last three months.

"Most dealers that I'm aware of have passed on several order cycles of i cars because we have them in stock and they're not selling," the dealer said. "I'm not real clear on the marketing strategy for the i."

Mitsubishi began the i rollout in April 2011 with an online site. Customers placed about 400 advance orders, but about 45 percent were canceled after retail sales began, Hasegawa said.

Mitsubishi imported an i for every advance order it received from a consumer. When orders were canceled, Mitsubishi reallocated those vehicles to new dealers, allowing nationwide availability to be accelerated by six months to the end of June.

Sonny Nejad, manager of Puente Hills Mitsubishi in Puente Hills, Calif., said his dealership has sold six units, mostly to EV enthusiasts cross-shopping the car against the Nissan Leaf.

He said he was pleased with early promotional efforts, including the dedicated Web site for the i, but more advertising is needed to boost awareness.

### Low price, low margin

Mitsubishi expected the i's price — at \$29,975, including freight, it's the market's least-expensive EV — to attract U.S. buyers. But the strategy is costly.

Mitsubishi's North American operation loses money on every i it sells here. Yoshikazu Nakamura, the former chief of Mitsubishi's global EV business unit, said in summer 2011 that the car likely would continue to lose money for at least the first two years of i sales in the United States. A source with knowledge of the situation said Mitsubishi is losing about \$8,000 per unit.

Hasegawa declined to confirm the loss figure, but conceded that "the cost is quite high. This strong yen is not easy for us, let me put it that way."

Selling the i has been a costly proposition for dealers, too.

Each Mitsubishi dealer had to invest about \$20,000 to become certified to sell the i. The expense paid for dealership charging equipment, technical and sales training, diagnostic tools, showroom signs and an electronic kiosk displaying information about the i.

Dealers say margins on the i are slim. Mitsubishi agrees, but won't provide specifics.

Still, dealer council head Grove thinks the i can be an asset for Mitsubishi. Grass-roots marketing — he has lent demonstration units to potential fleet customers — and the halo effect could pay off, he says: "You may not sell an i, but you might sell some other Mitsubishi." **AN**



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imagination at work

# 6 designs compete in \$5 billion effort to replace aging Humvee

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Competition is heating up to win a contract for a vehicle that will replace nearly 18,500 aging military Humvees for the U.S. Army and Marine Corps starting in 2015.

Six proposals are in play, with little time left before federal contracting officials decide on development of the \$5 billion-plus program. Suppliers are lining up for an opportunity to be part of the production teams with various contractors.

Up to three winners in the current round could receive up to \$65 million for the preproduction engineering, manufacturing and development phase of the Joint Light Tactical Vehicle.

Last month, AM General LLC unveiled its Blast-Resistant Vehicle-Off Road, or BRV-O, in suburban Detroit.



**L-ATV**

Here are the other competitors vying for a maximum of three awards that the contractors expect by early July from the U.S. Army Tacom Life Cycle Command:

- **Eagle:** General Tactical Vehicles, a joint venture of AM General and General Dynamics Land Systems.
- **L-ATV:** Oshkosh Defense.
- **Lockheed JLTV:** Lockheed Martin Corp.
- **Saratoga:** Navistar Defense, with a separate division of BAE Systems.
- **Valanx:** BAE Systems Inc., with Northrop Grumman Corp. and Meritor Defense.

"The companies are putting a lot of money into the JLTV now, even though the money they have available is a bit tighter. There's less funding available overall for r&d and new vehicle development," said Bruce Barron, CEO of precision cast-maker Barron Industries Inc., of Oxford Township, Mich.

Barron said Barron Industries has been involved in development work on both the BRV-O for AM General and the Eagle for General Tactical Vehicles.

But he said the company is preparing or has submitted bids to all six project teams on the JLTV and hopes to secure production work on components of the chassis, suspension systems, engine and the internal housing chassis for the elec-

tronic systems.

The next phase of contract awards calls for vendors to submit prototypes for military testing. Here's a summary of the six competitors:

**BRV-O**

AM General showed the BRV-O — a latecomer to the competition — publicly for the first time in the Detroit area last month. Its six-cylinder, 3.2-liter turbocharged engine is rated at 300 hp and 500 pounds-feet of torque.

AM General has produced the original Humvee for the military since the mid-1980s.

GKN Land Systems, a British company with offices in suburban Detroit, has been a drivetrain components supplier to the Humvee, and some of its components are also included on the BRV-O.

**Eagle**

General Dynamics Land Systems and AM General together are offering a repurposed version of the Eagle IV, which General Dynamics European Land Systems has supplied to the German military since at least 2008, said Don Howe, senior director of the joint venture General Tactical Vehicles.

The move is in part a response to the Army's recent request to review vehicles with more "mature" technologies that will take less time to bring to market, Howe said.

"We had to canvass our inventory of vehicles in the AM General and General Dynamics family and decide if between them we had a dog in the hunt. In fact, we did, and when we ran all the calculations, we could even adapt it and beat the \$260,000 unit" price, Howe said.

**L-ATV**

A vehicle that Oshkosh Defense developed on its own, the Light Combat Tactical All-Terrain Vehicle will use Oshkosh's Tak-4i intelligent suspension system that is already in use on more than 20,000 vehicles.

The company is also offering an optional Oshkosh ProPulse diesel-electric hybrid powertrain to help improve fuel economy on its version of the JLTV.

**Lockheed JLTV**

The Bethesda, Md., company is leading a team that includes Meritor Defense in suburban Detroit; L-3 Combat Propulsion Systems of Muskegon, Mich.; and Vehma International of America Inc. in suburban Detroit.

Lockheed, a winning bidder on the first phase of JLTV development, had to make several modifications after the Pentagon's requirements changed for the second phase. Lockheed said it incorporated less expensive materials and fewer exotic metals such as titanium.

**Saratoga**

Navistar Defense felt its Saratoga



**BRV-O**



**Eagle**



**Saratoga**



**Valanx**

The BAE Systems vehicle has evolved since the initial round of predevelopment contracts on the vehicle that lapsed last May, said Deepak Bazaz, BAE's program manager on the vehicle.

The BAE team has abandoned a previous Navistar engine in favor of a proposed PowerStroke 6.7-liter turbocharged diesel engine from Ford Motor Co. The company also has brought in Roush Enterprises Inc. of suburban Detroit to handle some engine system integration work, and has retooled the vehicle design to meet reduced weight limits that the military has imposed to allow for various equipment additions, Bazaz said.

A separate division of BAE also is collaborating on Lockheed Martin Corp.'s proposal for the vehicle, but Bazaz said the company has procedures in place to ensure engineers and specialists on each project do not overlap or share information. **AN**

**Valanx**

was a natural fit for the JLTV after the Army reopened the competition to all bidders at the second phase.

"It was something we developed on our own, to be optimized to serve as an adaptable light tactical vehicle design of any sort," said company communications manager Elissa Koc.

Navistar Defense, a business unit of Navistar International Corp. of Warrenville, Ill., has more than 250 employees in suburban Detroit who are expected to handle engineering and preproduction work on the Saratoga, and also handle system technical support contract work on existing military vehicles.

**Lockheed JLTV**



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# Ford fast-tracker Fields learns from slowing down

**Bradford Wernle**  
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DETROIT — Mark Fields was once on the fastest of fast tracks at Ford Motor Co. He rose quickly through the executive ranks with stops at Mazda Motor Corp. in Japan and at Ford of Europe before landing at headquarters as president of the Americas in 2005.

And there he still sits.

In the middle of last decade, with industry sales sliding and Ford floundering, attempts by Fields and Ford Chairman Bill Ford Jr. to restructure the company weren't get-

ting much traction. Bill Ford recruited Alan Mulally from Boeing Corp. to be CEO.

Mulally engineered a turnaround for Ford and dramatic changes in its formerly faction-ridden culture. But Mulally's presence in the CEO post has stymied, at least for now, Fields' rise within Ford.

Ford's board of directors hasn't set a date for Mulally's departure. Indeed, Bill Ford has indicated that Mulally can remain CEO as long as he likes.

Fields, 51, has held the president of the Americas job for seven years, by far his longest stay in any job since he came to Ford in 1989 as a freshly minted Harvard M.B.A. His longest previous stint was three years in London as executive vice president in charge of Ford of Europe and Premier Automotive Group.

## 'Swallowed his anger'

Fields has done something his detractors weren't sure he could do: He put his CEO ambitions on hold, learned from Mulally and became a more relaxed, self-assured executive in the process.

Bill Ford "was impressed with the way Mark Fields had swallowed his anger at being upstaged by Mulally, embraced [Mulally's]



BRADFORD WERNLE

After rising quickly through Ford's executive ranks, Mark Fields has been the company's president of the Americas for seven years, during which time he has become more relaxed and self-assured.

cultural revolution and become his keenest student. Ford was equally impressed with Fields' loyalty," wrote author Bryce Hoffman in his book *American Icon*, his ac-

count of how Mulally saved Ford.

During a recent interview in his office at Ford's Product Development Center, Fields shook his head as though he couldn't believe how long he has held the same job in a career defined by upward mobility.

Fields has had time to ponder the lessons learned by staying put for so long. He says he has gained insights over the last seven years.

One: "Be comfortable in my own skin."

To be sure, Fields still comes off as a very slick, polished executive more at home with a PowerPoint presentation than folksy banter. But he no longer peppers his remarks with M.B.A. buzz words, one of several former habits that often seemed aimed at impressing those around him. Instead, he now exudes a confidence that comes from heading what is, by far, Ford's most profitable business unit.

The most important lesson he has learned, Fields says, is a truism of the automobile business that often gets just lip service: "Product is still absolutely king. Period. Never compromise."

Ford's recent success has been built on a series of fuel-efficient cars and trucks, planned when fuel economy wasn't at the top of customers' wish lists. That gives credence to Fields' statement that he has taken the importance of product to heart, especially when paired with another lesson he has absorbed by staying in one post so long.

"Decisions that were made five, six or seven years ago — you get the perspective of coming and seeing the results of that," he says.

## Learn from failures

"The things that are failures or don't work out, you learn from that, and hopefully the next time you make a decision like that, you come out with a better outcome. The things that are successes, you celebrate those with the team and then move on."

Fields is eager to portray himself

as a team player and consensus builder. He says he has learned to be a better listener.

"I subscribe to the school of asking questions and listening and not talking. That way you draw out the best of people to kind of understand their points of view," he says.

"My most important role [is] really bringing out the best strengths in my management team so they can bring those strengths to bear on the business. The business can benefit from that, and they can develop as well as people and as business persons."

Another lesson Fields says he has learned: to work with people who are diametrically opposite from him in temperament and personality type.

Asked to give an example of such an opposite, Fields doesn't hesitate: "Jim Farley," Ford's vice president of global marketing, sales and service — and a man also touted as a possible candidate to succeed Mulally.

Some who have worked with both Fields and Farley say there has been tension between the men, both of whom spent time in the luxury car business: Fields with Jaguar, Land Rover and Volvo when Ford owned those brands, and Farley with Lexus. But Fields says they get along today.

"We work very well together because, I think, we respect each other as business people but also we respect each other as individuals," he says. "Everybody's not like you or should be like you, but you've got to fit those pieces of the puzzle together." When asked how he feels about the board's decision to let Mulally stay indefinitely, Fields brushes the question aside: "Listen, I think Alan is providing great leadership for the company. My ambition is to contribute as most as I can to the profitable growth of Ford. That means continuing to lead the Americas and make our contribution to the company, and I'm very happy with that." **AN**

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# fixed operations

## After rivals close, dealer adds 18 bays

Monthly service revenue rises 71% at Ohio store

**Jamie LaReau**  
jlareau@crain.com

Dealer Larry Taylor sees service as his *Field of Dreams*.

"Build it and they will come," says Taylor, 64, owner of Beau Townsend Ford-Lincoln in Vandalia, Ohio, near Dayton.

Taylor indeed did build it. He saw opportunity for more service business after four nearby Ford Motor Co. dealerships closed.

Last year he added 18 service bays. He has added eight service technicians since 2010, six of whom specialize in diesel repairs. And for the first time in 36 years of ownership, he is spending hefty amounts — up to \$15,000 a month — on TV spots to promote his service business.

The result: Taylor has taken his monthly service revenue from \$700,000 last year to about \$1.2 million this year. In 2010 the dealership serviced an average of 1,058 vehicles per month; in 2011, that rose to 1,711.

"It's working. As long as I'm getting people in here," says Taylor, whose dealership sells about 3,000 new and used vehicles annually. "It's mainly capacity. We've been asking for the business and promoting it."

### Contraction and expansion

Since 2008, Ford in its dealership consolidation effort has closed three Ford dealerships and one Lincoln store in the Dayton market. Ford Motor Co. granted a Lincoln franchise to Taylor in May 2010.

"Common sense will tell you if they closed four stores, there's going to be some people looking at where they can get their warranty work and service done," Taylor says.

It also meant there were laid-off service technicians available in his market, Taylor says.

In late 2009 Taylor began Saturday service hours from 7 a.m. to 2 p.m. "But there was more work than we could handle," Taylor says. "When you're that backed up you can't properly take care of a customer."

So starting last year Taylor added



When four nearby Ford Motor Co. dealerships closed, Beau Townsend Ford-Lincoln's parts and service chief Joey Beckett, right, and owner Larry Taylor saw an opportunity and added service bays and technicians.

18 service bays. Twelve of them were specifically made with high doors and strong lifts to handle diesel commercial vehicles, vans, campers and pickups.

He hired four diesel-certified technicians and now has six. Taylor also added two regular service technicians.

"Diesels are commercial vehicles for the most part," Taylor says. "And Ford diesels have a 100,000-mile warranty, so most of them are still under warranty."

Diesel work accounts for about 20 percent of Taylor's monthly service work. His diesel service business has tripled since 2010, he says.

In October 2010 Taylor started his advertising blitz. He has been shooting and broadcasting two to three new TV spots a month to promote the service department. The spots are shown mostly on cable, eight times daily.

The spots feature some of his longtime service technicians such as Malcolm Rowe, who has worked at the dealership 36 years. Taylor is featured, too.

### Showcase experience

"I talk about our expansion," Taylor says. "It shows me walking through our newly expanded service department. I talk about our expanded hours and ability to accommodate diesels. I talk about the guys and I say, 'Listen to how long some of these guys have been here.'"

Taylor also promotes that his

### Pumped-up service

To boost service revenue, Ford-Lincoln dealer Larry Taylor

- Added 18 service bays
- Added 8 service technicians, six of whom specialize in diesel repairs
- Started a TV campaign to promote his service department

notch customer service.

The spots are meant to showcase his staff's experience and low turnover.

"It's working," Taylor says. Many customers mention the spots when they come in for service.

Taylor says he spends about \$10,000 to \$15,000 a month to broadcast the spots.

While service business is bustling, Taylor says he is not yet over capac-

ity. But if he does find himself again unable to keep up, he has a plan.

"I'll probably build an off-site quick lane to get the maintenance out of here," says Taylor. "But I'm not there yet. I have a little more capacity."

In the meantime, Taylor is in the midst of construction for a similar expansion of his body shop. He will add five body technicians and two paint booths.

That will be completed in mid-June, and Taylor hopes he can then accommodate more customers left orphaned by Ford's dealership consolidation. **AN**

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## SHIFT

### Automakers burn the midnight oil

continued from Page 1

"The days of building vehicles on two shifts and being satisfied with that are finished," Robinet says. "They are absolutely going to maximize their brick-and-mortar as much as possible."

Even when sales surpassed 17 million vehicles a year in the early 2000s, no more than seven out of more than 100 assembly plants ran on three shifts at any one time, according to IHS. But with fewer plants open now and industry sales on the rise, a traditional, two-shift schedule is not sufficient for many hot-selling models, such as the Chevrolet Cruze, Ford Focus and Nissan Altima.

And as the market continues to rebound, Robinet and other analysts say three shifts will not be enough either. Automakers soon will need to bite the bullet and build

### Sometimes groggy, but 5% richer

Third shifts make plants more efficient, create jobs and give automakers more vehicles to sell. But they also dramatically change the lifestyle of those who spend nights on the assembly line.

George Ruiz, president of UAW Local 31 in Kansas City, Kan., says he lasted only about three months on the third shift, which runs from 10:30 p.m. to 7 a.m., as a team leader in the paint department a couple of years ago.

"The hardest part is the first few weeks, because you're used to sleeping at night instead of staying up," he says. "There

were some days that it was good, but there were times that you just feel sleepy and don't feel like getting up."

He transferred back to days when the opportunity arose but says many third-shifters are happy because they get a 5 percent shift premium under the UAW contract and can spend more time during the day with their spouses and children.

"The majority of them, they could be on days but they just like it," Ruiz says. "The second shift is the one that people don't like, because you don't get to see your family."

—Nick Bunkley

plants to avoid losing sales to rivals.

"These sorts of shift arrangements only work for so long," says Sean McAlinden, chief economist at the Center for Automotive Research. "Some big decisions have to be made. We've got to put some buckaroones down and build capacity to grow with the market."

#### 'Reluctance to invest'

GM is reopening its plant in Spring Hill, Tenn., this year because three shifts of workers at two plants in Canada cannot build enough Chevrolet Equinox crossovers to satisfy demand. But beyond that, automakers and their suppliers are hesitant to break ground on a multi-billion-dollar plant, or even reopen one they spent time and money shutting down. They fear damaging their now-healthy profit margins if a product comes up short of its targets, or ending up with too much capacity if the economy falters.

Likewise, suppliers are holding off on new plants even as their cus-

**"It's a good problem. The ride up is certainly much better than the ride down that everyone had to experience."**

Erich Merkle  
Ford's chief sales analyst

tomers demand more capacity by running plants 24 hours a day, six or seven days a week.

"We cut capacity to the bone and are enjoying the best prices in 30 years," McAlinden says. "That really creates a reluctance to invest."

Even with three shifts, McAlinden says he expects GM and Chrysler to run short on truck capacity next year and Ford to need more capacity for cars.

GM's capacity utilization rate, calculated on the standard two-shift basis, reached 103 percent in the first quarter. In 2009, IHS calculated the industrywide utilization rate at just 52 percent.

"We're quite comfortable running at that level of capacity utilization and even higher," CFO Dan Ammann said during GM's first-quarter earnings call.

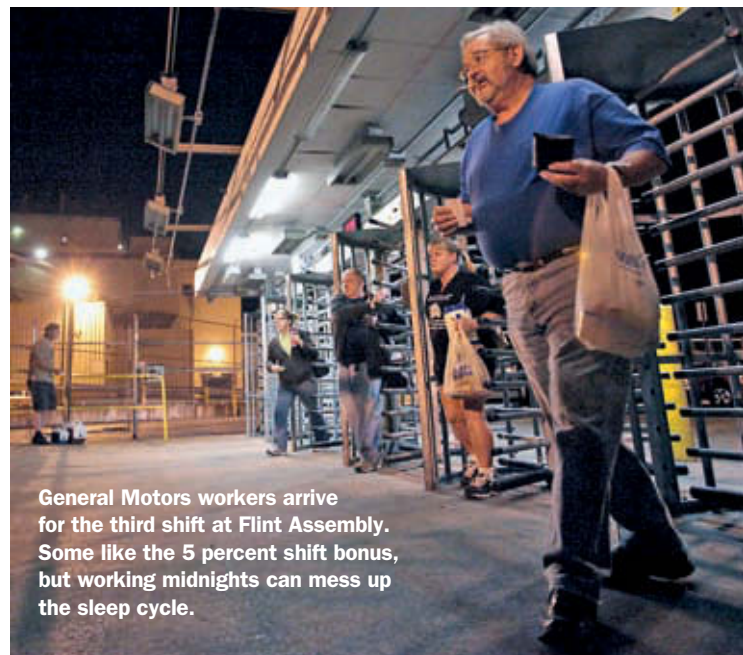
Ford has conceded that it will suffer its first decline in market share since 2008 because it underestimated demand and waited too long to adjust production.

The company added third shifts in May at assembly plants in Chicago and Wayne, Mich., and an engine plant near Cleveland. Ford's Louisville, Ky., assembly plant, which is building the redesigned Escape crossover, just started a second shift and will begin a third this year.

"We're always monitoring the situation, and we'll be addressing it as we progress," says Erich Merkle, Ford's chief sales analyst. "It's a good problem. The ride up is certainly much better than the ride down that everyone had to experience."

#### Tier 2 bargains

Changes to the UAW's contracts with the Detroit 3 are one reason third shifts have become common. Instead of continually paying existing workers for overtime, the companies can hire a third shift of workers on the lower entry-level wage scale. New so-called Tier 2 hires start at about \$15 an hour, a little more than half the \$28 rate for vet-



General Motors workers arrive for the third shift at Flint Assembly. Some like the 5 percent shift bonus, but working midnights can mess up the sleep cycle.

PHOTOS BY JOE WILSSENS

eran employees, who also receive more benefits.

Flexible assembly lines, which can build several models, also promote three-shift operation. Lines capable of building one nameplate at a time were rarely needed to run more than two shifts.

Another factor is modern, more durable equipment that can run continuously for longer periods and is less susceptible to breakdown. That makes nightly shutdowns unnecessary at most plants.

In a variation of the three-shift approach, Ford and Chrysler have negotiated to create what are known as "three crew" schedules, in which workers spend 10 hours a day on the job four days a week and their shifts are arranged in a pattern that keeps the plant open six or seven days a week. The companies say that setup is more efficient and creates time for maintenance work, which was often deferred in three-

shift operations in the past, though it can be harder on workers.

At Hyundai's 7-year-old plant in Montgomery, Ala., workers have been putting in an average of 52 hours a week for about two years to meet demand for the Sonata and Elantra sedans.

By adding a third shift in September and moving to eight-hour workdays, down from 10 hours, Hyundai expects to eliminate most overtime and increase output by about 18 percent, or 250 cars a day, says spokesman Robert Burns. He estimated that Hyundai's suppliers will add about 1,000 jobs to support the extra production.

Even though sales of its Alabama-made cars have been booming, Hyundai is taking its time installing the new shift.

Says Burns: "We don't want to do anything to impact quality, so we're going to slow the line down to let the new team members ramp up." **AN**

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### Working midnights



#### Assembly plants with 3 shifts/crews

- Ford, Chicago: Explorer/Taurus/MKS
- Ford, Wayne, Mich.: Focus
- Ford, Dearborn, Mich.: F series
- GM, Lordstown, Ohio: Cruze
- GM, Flint, Mich.: pickups
- GM, Delta Township, Mich.: Traverse/Enclave/Acadia
- GM, Kansas City, Kan.: Malibu/LaCrosse
- GM, Fort Wayne, Ind.: pickups
- GM, Oshawa, Ontario: Equinox/Terrain
- GM, Ingersoll, Ontario: Equinox/Terrain
- Kia, West Point, Ga.: Optima/Sorento/Santa Fe
- Nissan, Canton, Miss.: Altima

#### Assembly plants adding a 3rd shift/crew

- Hyundai, Montgomery, Ala.: Elantra/Sonata, 877 jobs, September 2012
- Ford, Louisville, Ky.: Escape, 1,300 jobs, second half 2012
- Nissan, Smyrna, Tenn.: Altima/Maxima, 1,000 jobs, fall 2012
- Chrysler, Belvidere, Ill.: Dart, 1,200 jobs, third quarter 2012
- Chrysler, Detroit: Grand Cherokee/Durango, 1,100 jobs, November 2012
- Volkswagen, Chattanooga: Passat, 800 jobs, by end of 2012
- GM, Hamtramck, Mich.: Volt/Malibu/Impala, 1,250 jobs, 2013



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# F&I pros share tips, strategies and must-knows

**M**ore than 16 experts in the world of dealership finance and insurance will share their insights during Automotive News F&I Week this month.

Six online sessions over three days, June 19-21, will cover subjects ranging from compliance to technology to managing employees.

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The Webinars can be viewed live from

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The event is designed for F&I managers and staff as well as sales managers, general managers, dealer principals and anyone else who has an interest in understanding and improving F&I.

Registration is free at [fandiweek.com](http://fandiweek.com).

Here are highlights of the sessions, the speakers, and what they'll say:

## At a glance



**What:** A free online conference

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### Creative Strategies That Drive F&I Performance

Tuesday, June 19, 1 p.m. EDT

**Carl Bennett**, Reynolds Consulting Services

New approaches to some of the timeless challenges of F&I, including responding to the sales-

resistant customer.

**Steven Bethke**, Parkway Volvo-Subaru-Hyundai

How Parkway recognized the need to change its ways, and how the store stepped out of the box to achieve three consecutive record-breaking years.

**George Angus**, Team One

Strategies for managing top F&I talent as professionals, exploring the link between lower turnover and higher profit and other benefits of fostering F&I as a career instead of a job.

### Show Me the Money!

Tuesday, June 19, 3 p.m. EDT

**Strati Papageorge**, DealerTrack

How to structure a deal to meet lenders' needs; maximize profitability as credit loosens and lenders expand into new markets.

### Dealers Share Their F&I Best Practices

Wednesday, June 20, 1 p.m. EDT

**Gabriel Garroni**, Ally Auto  
**Mike Hanks**, Bob Hall Dealership Group

**Ted Nixon**, Ourisman Ford & Lincoln

**Kelly O'Neill**, Infiniti of Honolulu  
**Julie Becker-Myers**, Northwood University

From the dealerships: A "be brilliant in the basics" strategy; a time-tested way to boost service-contract sales; and a handshake-to-handshake, "no-handoff" sales process. Northwood's Becker-Myers draws insight from their presentations, and Ally's Garroni sets the stage with an overview.

### Playing by the Rules — Federal Regulation and Enforcement Workshop

Wednesday, June 20, 3 p.m. EDT

**Michael Benoit**, Hudson Cook

What dealers need to know about the Consumer Financial Protection Bureau. How the bureau can impact dealer behavior, and how dealers can prepare for what may lie ahead.

**Carole Reynolds**, Federal Trade Commission

Identifying trouble spots in auto finance and leasing and helping dealers determine whether they're driving toward danger or steering clear of deceptive practices.

**David Robertson** of the Association of Finance & Insurance Professionals will moderate.

### Bringing a System to F&I Madness

Thursday, June 21, 1 p.m. EDT

**Vince Santivasi**, Zurich Direct Markets

How a systematic approach to F&I can build trust, reduce the risk of legal exposure, and increase the amount of time for presenting products that fit customers' needs.

**Bill O'Flanagan**, Reedman Toll Auto World

Best practices for closing a deal. Why a holistic approach to F&I — stretching from cashiers to service advisers — starts with extended-service contracts.

### Smart Phones & Mobile Tablets: Connecting With Today's Customers

Thursday, June 21, 3 p.m. EDT

**James Maxim Jr.**, MaximTrak Technologies

Mobile technology and F&I: A state of the union report.

**Gil Van Over**, gvo3 & Associates  
Compliance issues that F&I managers need to be aware of. **AN**

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Dealers find quiet places for F&I amid renovation upheaval. **PAGE 38**Automotive News **INSIGHT****FINANCE & INSURANCE**

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Automotive News

JUNE 4, 2012 • 37

Videotaping F&I transactions helps training, scares away ID thieves and reduces lawsuits, some experts say. So why don't more dealers do it?

KEEPING AN  
**EYE**  
on  
**F&I**

AMY WILSON  
[awilson@crain.com](mailto:awilson@crain.com)

**W**hen Mirt Ramey went to Target in 1999 and spent \$3,400 on video cameras and recorders for Red McCombs Automotive in San Antonio, she didn't realize what powerful tools they would become.

Thirteen years later, McCombs' seven dealerships have graduated to more sophisticated digital recorders, but executives still swear by the basic practice. Recording the F&I process has helped the group's compliance measures, reduced fraud and improved customer satisfaction.

"It has just really saved us from a lot of litigation," says Ramey, finance and insurance operations manager at Red McCombs Automotive. "It has given us an opportunity to review the video with the customer and really get down to what the customer is complaining about."

Though compliance is the reason McCombs records, Ramey says, the practice has had the benefit of improving results. Knowing a supervisor may be watching has made F&I managers sticklers for following procedure, such as presenting all products to all customers, she says.

Despite the McCombs experience, video recording is far from the industry norm. Though hard numbers aren't available, some providers of the video systems estimate 10 percent of dealerships or fewer are recording F&I transactions today.

And whether a dealership should record customer transactions in the F&I office remains a matter of debate. On one



hand, the practice means everything a finance manager says to a customer will be recorded. And on the other hand, everything a finance manager says to a customer will be recorded. It's an old joke, but it points to a serious concern that many dealers have with video recording: What if a "smoking gun" is preserved on tape?

"Videotaping is a great tool for both training and compliance," says Michael Stellmach, vice president of sales operations for JM&A, which provides F&I products to dealerships. "But dealers need to consider the pros and cons before deciding whether videotaping is right for their store."

The specter of the smoking gun is the reason dealer lawyer Tom Hudson has gone back and forth on the wisdom of recording. "This is all well and good if you're doing it correctly," says Hudson, a partner in Hudson Cook law firm in

Hanover, Md. "But if you're doing it incorrectly, all you're doing is creating evidence for a plaintiff."

Such evidence could be used against a dealership in a customer lawsuit. It could even be the launching point for a class-action case. But Hudson isn't aware of any cases in which F&I video was used against a dealership.

And after hearing from the in-house counsel of a dealership group that videotapes, Hudson is now in the pro-recording

**INSIDE**

What should dealership personnel do if a customer wants to record a transaction?

**| PAGE 47 |**

Red McCombs Toyota in San Antonio turned to the tape when a customer brought his vehicle into the service department last month insisting he had paid for a maintenance plan and shouldn't be charged for the work. The dealership showed no record of a plan, so Mirt Ramey, left, Red McCombs Automotive's F&I operations manager, and Glen Fowler, the Toyota store's finance manager, called up the video of the 2010 transaction. It turned out the customer had declined the maintenance plan after being told his lender wouldn't approve a higher loan amount to finance it. The customer declined to view the video, saying he remembered now.

see **VIDEO**, Page 46

## BUY-SELL UPDATE



Mark D Johnson  
President  
MD Johnson Inc.  
Dealership  
BUY-SELL  
Advisors

We are about 7 months until year end and the beginning of a new era of capital gains, somewhere in the neighborhood of 25%. If you are considering selling, it is time to get a move on. If you are a buyer, you had better understand the value of what you are considering buying. Any extension of a buy sell past year end will likely have a penalty attached to it to cover the additional 10% tax. Get started by doing the following.

- **Get all vendor contracts together**
- **Gather all environmental information.**
- **Locate appraisals and surveys**
- **Build a flow chart and census of your employees**
- **Get your team together (if you hire a broker, make sure they are properly licensed)**
- **Get a handle on the value of your franchises in today's market**

Time is the enemy in selling and buying. The longer the process of getting a deal done goes on, the more people find out and the more questions need to be answered to everyone. Many less knowledgeable buyers believe the longer you drag a deal out the ore flexible the seller becomes. In reality, the longer a transaction takes to complete, the less chance it has of closing.

Once a decision is made, closing is a race. Both parties win when they run hand in hand, not when one party holds the baton an inch away from the hand off. Not being properly prepared inadvertently makes many sellers the worst enemy of their deals. The absolute worst time killer of all deals is environmental issues. Often times buyers and sellers spar over what is required and what is not when it comes to environmental testing. When it comes to selling, the only thing required is whatever the buyer needs to feel comfortable to close. Attempting to limit a buyer's access to get comfortable with potential contamination is a waste of time. No buyer will close any transaction until they are totally comfortable with any contamination issues that exist now or previously.

Make sure your reports are updated and available to the buyer. Remember, the objective is to deliver access, create comfort, build rapport and close. Unlike a car deal, no secrets exist forever in transactions and if disguised simply erode credibility.

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Rendering shows how Blasius Chevrolet-Cadillac in Waterbury, Conn., will look after the renovation. To keep distractions in the F&I office to a minimum, much of the renovation work is being done on weekends and after business hours.

# Hey, keep it down out there!

## How dealers find peace and quiet for F&I during renovations

**Jamie LaReau**  
[jlareau@crain.com](mailto:jlareau@crain.com)

Curry Honda's Howard Sackaroff says he keeps two bottles of Advil on his desk.

The dealership is in the midst of a \$4.5 million renovation. And Sackaroff doesn't want business disrupted during construction — least of all the finance and insurance office, where privacy is critical. Fortunately, Sackaroff planned ahead so he hasn't had to pop any pain relievers yet.

"We skirted around the issue of moving into trailers," says Sackaroff, general manager of Curry Honda and Curry Nissan in Chicopee, Mass., about an hour's drive west of Boston. "We chose to do it in stages where we can move various departments to various parts of the dealership while the construction goes on."

Many dealerships face massive renovation projects that stir up dust and dirt and involve noise from jackhammers and other tools. Amid that chaos, some dealers must find a comfortable, private and quiet place to take customers to conduct the highly sensitive business of financing a vehicle and pitching various insurance products.

Those dealers who have been through complex renovations recommend doing the construction in stages or after business hours if possible. And most important, they say, is to make sure the contractor understands the significance of the F&I office so that construction crews can work around it.

"Let's face it, the F&I office is your cash flow," says Darrell Neilander, finance manager at Blasius Chevrolet-Cadillac in Waterbury, Conn. "That's got to be protected by all means."

### Think ahead

At Blasius the F&I office has been mostly unaffected by renovations on the store, Neilander says. The owner started construction in March. Blasius' owner chose to have much of the work done on weekends and after business hours, Neilander says.

"He thought ahead," Neilander says. "They're doing one side of the construction, and that is all separated from us. We don't hear anything, very little. They'll complete that section and we'll all move into the completed section while they do the showroom. So it

## Honda store uses scrap to sell tire plans

The grief and aggravation of running an F&I office while the dealership is being renovated can be maddening for managers and shoppers.

Keeping customers cool, calm and collected — let alone receptive to the aftermarket menu — can be a bigger challenge than serving decent coffee in a makeshift customer lounge.

But F&I manager Chris Brunner of Curry Honda in Chicopee, Mass., found a way to spur sales of wheel-and-tire protection plans during the store's recent renovation.

His advice: Keep your eyes on the nuts and bolts. His boss, Howard Sackaroff, explains what happened.

"One of my best F&I guys went outside, gathered all the screws, nuts and bolts from the construction project, and put them in a jar on his desk to show people the road hazards. He tells them, 'You might not make it out of the parking lot,'" says Sackaroff, general manager of Curry Honda and Curry Nissan, both in Chicopee, about an hour's drive west of Boston.

The result? Curry Honda's penetration rate on wheel-and-tire protection jumped to 78 percent of new- and used-vehicle sales from 51 percent before construction began, Sackaroff says.

A three-year plan for wheel-and-tire protection costs \$495; a five-year plan fetches \$695 he says.



Curry Honda uses debris left by work crews to pitch wheel-and-tire plans. Since displaying the jar, 78 percent of car buyers are opting for a plan.

Seeing the jar of potential road hazards combined with an explanation that it can cost about \$550 to replace an aluminum wheel and tire generally closes the deal with most customers, Sackaroff says.

"That jar was a great idea," he says, acknowledging he first heard it from someone who once was an F&I manager.

Sackaroff says the idea works so well, he plans to use a similar jar in the F&I office at his Nissan store.

—Jamie LaReau

won't affect finance and sales."

The only disruption has been that construction on the service area is driving more people into the showroom area.

"So obviously you have to be a little quieter because there are more people around, and this is private stuff," Neilander says. "But that's it."

Neilander says if he had to worry about construction going on around him all day, it would take his mind "off the game" and he would struggle to properly service customers.

### Never again

The preparation that Blasius Chevrolet-Cadillac did is quite different from Chris Walsh's experience.

Walsh was a finance manager and later the general manager at Newman Chevrolet in East Hartford, Conn. He worked there from 1983 to 2005.

In 2003, the owner started major renovations on the store, Walsh says. But no one stopped to consider where to put the finance manager's office, Walsh says.

"There was a lot of noise and dust from the renovations," he recalls.

Walsh knew he had a problem when "my F&I manager, who was the nicest guy in the world, came into my office and said, 'I can't work this way anymore.'"

## Renovation solutions

As dealerships undergo widespread store renovations, protecting the privacy of the F&I office is critical and requires creative solutions.

- Plan ahead so that construction is done in increments in other parts of the building.
- Communicate with the contractor to ensure F&I office privacy during construction.
- Be prepared to move the F&I office at least once during major renovations.
- Consider using a trailer as a temporary space if that provides enough privacy.

Walsh says he also had a couple customers say, "I can't concentrate."

"We didn't have anybody walk out, but were people distracted? Yes, absolutely."

Walsh portioned off an alcove near the back of the showroom for his finance manager. It was a solution he calls "a Band-Aid."

"Had we thought about this prior to doing the construction, we wouldn't have put him there," Walsh says. "I never want to go through it again. Contractors need to know that F&I is so important because it's a legal is-

sue. Once contractors know that, they often comply."

Walsh, now president of the Vets-Cars Group in East Haddam, Conn., an association of dealers whose goal is to give superior service to military veterans, advises dealers to be prepared to move the F&I office at least once during construction. And dealers should meet frequently with the contractor.

"It needs to be communicated to the contractor that the F&I office is not only one of the biggest revenue makers, but due to compliance and regulations the fact that it has to be quiet and private is critical," Walsh says.

He adds: "A well thought out plan starts with the F&I office."

### No trailers

Penske Automotive Group Inc. did 25 store renovations or new construction projects last year in the United States and United Kingdom, says Tony Pordon, a Penske spokesman.

Often Penske rents trailers where the dealership staff can conduct business while the main dealership is undergoing renovations, Pordon says.

"The first renovations we did, we probably had some struggles in



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# Retailer's big lease business steers F&I offerings

**A**t Rick Case Automotive Group, selling aftermarket products to lease customers is not just a big deal, it's a matter of survival.

That's because at some of its 16 stores, leasing can account for 70 percent of business, says Randy Horton, national finance director.

Products the group sells to lease customers include SkyLink, a GPS-based antitheft product, and exterior-finish products such as EnviroGuard, made by Cal-Tex Protective Coatings in Shertz, Texas.

Rick Case Automotive Group of Fort Lauderdale, Fla., sells Acura, Audi, Fiat, Honda, Hyundai, Kia,

Mazda and Mitsubishi vehicles in Fort Lauderdale, Atlanta and Cleveland. It ranks No. 28 on *Automotive News'* list of the top 125 dealership groups with retail sales of 16,733 new vehicles in 2011.

Horton, 49, talked about the group's push to sell products to lease customers with Special Correspondent Jim Henry.

**Q: What's big for you lately in F&I?**

**A:** Leasing is coming back. We do a lot of leasing. For us to survive, we



**RANDY HORTON**  
RICK CASE  
AUTOMOTIVE GROUP

have to be able to offer lease customers something they qualify for. ... Some of our stores are 70 percent lease.

**That's typical for South Florida, isn't it?**

Most markets it's more like 35 to 45 percent penetration. In some markets it's a tremendous focus. It varies by market and by brand. We have six Hyundai stores, and for the first time ever they are doing a lot of leases.

**What do you mean by products that lease customers qualify for?**

Lease customers don't qualify for GAP. They don't qualify for service contracts. Most leases come with GAP, and they're not going to keep the car long enough to be interested in a service contract. For leases, we do offer a service contract, but it rarely makes sense unless they know they're going to buy the car at the end.

**What about antitheft?**

We offer several antitheft products. We offer LoJack, and we offer what amounts to etching, only you mark the frame and other places. It works like window etching. ... We just signed up about three months



ago to sell SkyLink.

**SkyLink is aftermarket GPS, right?**

Right. Most people are already familiar with LoJack, and they know about the police tie-in, but not all markets have it, and not all police departments have a LoJack-equipped cruiser. The GPS works everywhere, or everywhere your cell phone works.

[Police in markets equipped with a LoJack tower can track a stolen car with a LoJack device. That includes most major urban markets, where stolen cars are more common, but LoJack doesn't work everywhere.]

**Does that work with lease customers?**

SkyLink, you can move from car to car to car, so yes. ... You only buy it once.

**What else interests lease customers?**

We are significantly up with the environmental-type products like EnviroGuard. You know, the exterior finish, those kinds of products. They did my car. It's black, and the first time it rains and you see the water bounce off ... it's the sort of a product where you instantly get a benefit out of it. Most F&I products, you can't touch and feel a benefit right away. With this, you do.

**Would lease customers buy that since they're not keeping the vehicle?**

When you're leasing, we say it's "like you're driving someone else's car" because you know you're going to have to turn it in. It's been a really successful policy with lease customers.

**Is that a regional thing? The sun probably wreaks havoc with finishes in Florida.**

In Florida we do get the rain, and when the sun comes out and dries it, you would end up with a polka-dotted car. In Cleveland, I always say, "Don't you let a customer out the door without buying it" because of the snow and the greasy, muddy streets. Let's face it; no matter where you live, I'm going to be able to find a reason why you need it. **AN**

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# Want to sell service plans? A process helps

Jamie LaReau  
jlareau@crain.com

Paragon Honda, Paragon Acura and Aberdeen Chrysler Center have managed to do what many dealerships cannot: consistently sell extended-service contracts to customers whose factory warranties are expiring or have expired.

Their success has hinged on finding and reaching out to customers who fit the expired-warranty profile.

"The biggest thing in contacting a customer is having a plan and a reason to contact them," says Brian Benstock, general manager of Paragon Honda and Paragon Acura in New York.

## Service contract success

Some dealers have adopted a process for selling extended-service contracts to customers approaching warranty expiration. That process includes

- Investing in software that sorts through the dealership database to find eligible customers
- Naming an individual or creating a team of employees to pitch to those eligible customers
- Following-up consistently with those customers

Many dealerships struggle to sell extended-service contracts to customers whose factory warranties are up. But these three stores do it well in part because they have invested in software that combs their

databases for customers who are coming to the end of their warranty or are already out of warranty. They also have hired or assigned employees whose only job is to make these sales happen by approaching cus-

tomers either when they're in the service department or through follow-up phone calls.

"We couldn't have done what we've done without a process," says Toby Doeden, general manager of Aberdeen Chrysler Center in Aberdeen, S.D.

It helps that these dealerships have the resources to implement a process that includes software and a special team. Not all stores can afford to do that.

One reason dealerships often fail in selling extended-service contracts in the service drive is because they rely on service managers to pitch the contracts at the point of service, dealers and service contract providers say. Often service managers lack the needed sales skills. And even if the dealers offer spiffs on each sale, service managers still lack the focus to sell service contracts aggressively and consistently.

Benstock's stores sell an average of 18 extended-service contracts a month at an average retail cost of about \$1,600, he says.

It might not sound like much for a business that sells about 10,000 new and used vehicles annually for both stores. But five years ago, before Benstock bought the software and implemented his process, he was haphazardly selling one to three extended-service contracts a month, he says. "We were getting those customers through happenstance," Benstock says. "That certainly doesn't replace a business plan."

So in 2007 Benstock bought software from AutoAlert in Irvine, Calif. The software scours his database to generate three kinds of alerts: sales, equity and warranty expiration.

Benstock expanded his business development center and today has 21 employees to monitor the alerts. They call the customers identified by AutoAlert to pitch service contracts and other products.

The software costs Benstock about \$2,000 a month, and he says it's worth it. "It really gives us a reason to contact the customer," Benstock says. "The service contract and loyalty go hand in hand. It's a great retention tool."

And compared with the cost of TV advertising or full-page newspaper ads, Benstock says, this delivers more guaranteed customer response.

## Zero to a dozen

About eight months ago, Aberdeen Chrysler Center agreed to pay a \$150 installation fee and \$85 a month for the Service Drive program from EasyCare of Norcross, Ga. It was more than just the software Doeden bought. Doeden says he also got extensive training from EasyCare Midwest in Lakeville, Minn., an EasyCare authorized representative, on setting up a process to make it all work together.

In that time, Aberdeen Chrysler Center's sales of extended-service contracts have gone from "virtually zero" to 12 to 15 a month, Doeden says. His store sells about 3,400 vehicles annually.

Doeden's process centers on software that searches the dealership's database of upcoming service appointments to identify customers who are close to warranty expiration or are out of warranty. Doeden appointed a person to focus on se-



**Aberdeen Chrysler's Toby Doeden: "We couldn't have done what we've done without a process."**

lecting customers who might be interested in buying an extended-service contract.

## Jump on paperwork

That person can use the software to print out a pitch of various plans to be presented to the customer when he or she comes in for service.

"We'll have the paperwork prepared before they get here," Doeden says. The employee then follows up with the customer after briefly meeting and giving him or her the paperwork at the service appointment.

"About 75 percent of the total contracts we sell through the service drive are follow-up phone calls or Internet e-mail sales," he says. "Typically, either the husband or wife is here. Rarely will one spouse commit to it without consulting the other."

Doeden also devised a pay scheme that pays a base salary plus commission based on the volume of contracts sold.

Bart Wilson, production manager of DrivingSales University in Salt Lake City, says to make the process work, employee compensation and training are critical: "Put them through the sales training and make sure they have phone skills. You want to give them the opportunity to have some bonuses above their normal pay."

Service contract providers estimate on average that dealerships make about \$700 in profit on a contract they sell to a customer for \$1,500. So the initial profits from increasing the sales of extended-service contracts are there, but Doeden and Benstock agree there is more value to it than just short-term income.

"We like it for the repetitive business aspect," Doeden says. "If a customer has a service contract with us, they're way more likely to come back to us for service. It's a retention tool."

Benstock says smaller stores should invest in a similar process to generate extended-service contract sales for the loyalty reasons, even if it is a bit pricey. "It's even more important for the mom-and-pop stores in order to compete with the big guys," he says. "Many of the big guys don't do a good job at this. And that's the mom-and-pop's edge, that personal service."

Even so, for some smaller stores, implementing a sophisticated process would be a luxury.

Kelleher Motor Co. in Ellensburg, Wash., sells about 350 new and used vehicles a year. General Manager Phil Kelleher sells extended-service contracts by relying on his service advisers to monitor customers who are approaching warranty expiration. He doesn't sell many contracts that way, two to four a month. Yet he can't justify spending thousands on software or a business development team. His less-structured approach yields less revenue, but it costs less, too.

Says Kelleher: "We don't have the volume to hire a person to just focus on that." **AN**



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Timber Ridge Homes	Reaman	2:30 PM	Billie	3:00 PM	Luke
Stanton	Geusbroek	3:15 PM	Billie		
Probst	Lindby	4:15 PM	Christine	4:45 PM	Brandon
Bailey	Zimmerman	6:00 PM	Vance		
Repp	Roberg	6:30 PM	Christine		
Ruchleau	Hiatt	7:00 PM	Mitch		
Saifer	Nekoa	7:30 PM	Vance	7:45 PM	Luke

*Your Dealer for Life*

Karl Chevrolet's octagon-shaped F&I waiting room has a finance office along each wall and computer monitors that track customer appointment times.

## Scheduling system, renovation cut F&I waits at Chevy store

Jerilyn Klein Bier  
autonews@crain.com

Worried that long waits in your F&I office are irritating customers? Karl Chevrolet in Ankeny, Iowa, isn't. Not anymore.

That's because the suburban Des Moines store's automated scheduling system and monitor-equipped F&I waiting area work in tandem to connect customers with finance managers faster.

Since the redesigned finance area opened in March 2011, F&I wait times have nearly vanished, customers are buying more aftermarket products — service contract sales are up 10 to 15 percent — and salespeople, relieved of caring for waiting customers, are freer to sell more cars.

A little over a year ago, Karl Chevrolet moved its new-car delivery area to another part of the store and converted the vacated space into an octagon-shaped F&I waiting room that houses a finance office along each wall. Customers seated in the center of the octagon can view two computer monitors that track appointment times.

The monitors are tied to software developed by Karl's in-house programmer that assigns customers to one of the dealership's nine finance managers and four delivery coordinators. The customized software makes it easy for sales staff to book a customer's F&I appointment in advance or to find a finance manager on the spot to close a deal. Salespeople simply click an icon on their personal computers to see which finance managers and delivery coordinators are available and when. Information is updated throughout the day, so sales folks know times are accurate.

### Fewer upset customers

"Before, it was hit or miss with salespeople trying to find finance people. Now they know who they can call and who's available," says Tom Beschen, finance director for 12 of the 22 years he has worked at the dealership. F&I wait times at the dealership — which in 2010 sold 4,600 new and 2,400 used vehicles and often delivers 35 to 40 vehicles a day — have been pretty much eliminated.

Beschen likes that he and his colleagues now have a better idea of what their day will look like. "The economies of saving time are really

nice. There are a lot less upset salespeople and customers," he says. "Salespeople don't have to babysit [customers] anymore. There hasn't been any resistance from anyone."

Beschen got the idea for automating F&I scheduling after noticing how his dentist was using a similar scheduling process to boost office efficiency. When the dealership couldn't find commercially available software to meet its needs, it built its own.

Customers whose appointments were booked in advance receive an e-mail reminder with the date and time and photos of the sales, finance and delivery department personnel they're scheduled to meet. "It puts a little weight on it," Beschen says. "Everyone buys in, and customers show up on time."

### Positive feedback

Karl Chevrolet is averaging 1.2 F&I products per vehicle sold — a figure that was running closer to 1.0 before the project, Beschen says. Sales of service contracts and credit insurance have increased the most since the renovation, with service contract sales up 10 to 15 percent based on same-month year-ago comparisons, he says. Other popular aftermarket products include GAP, tire and wheel, paint protection, sealants and maintenance.

Although Beschen admits it's hard to say that one thing has been responsible for the increases, he says he has received positive feedback from customers about the F&I improvements. Customers say, "This is the best process we've ever had" or "Man, do you treat all your customers like that?"

The scheduling software is working so well in the finance department that last month, Karl Chevrolet incorporated the cleanup crew into the system and added a monitor to the vehicle-preparation workspace so that crews will be able to see which vehicles need to be ready when.

Beschen believes that every dealership, big or small, should adopt some strategies to improve the traffic flow in its F&I department. Although Karl Chevrolet spent money to remodel its F&I waiting area — an amount the dealership declined to disclose — Beschen doesn't believe renovation is essential.

"The facility is fantastic," he says, "but you can do without that if you have scheduling in place." **AN**

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## VIDEO Record, but do it right, experts say

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camp. He was won over by the real-world accounts of how the practice helped training, drove off rogue employees, scared away customers engaged in fraud and reduced litigation.

Compliance consultant Gil Van Over came to the same conclusion after initially opposing recording. He knows of cases in which suspected perpetrators of identity theft made excuses to leave after finding out the dealership would record the transaction.

But dealerships have to handle the recording the right way, both Hudson and Van Over say. That's especially important, Van Over says, given the possibility of enhanced scrutiny of dealerships by the new Consumer Financial Protection Bureau.

According to Hudson, handling it right means:

- Record all sessions unless the dealership can document a customer's refusal.
- Train all F&I employees how to record properly.
- Have the dealership's lawyer script the presentations and review recordings.
- Comply with all record-keeping requirements.

Those record-keeping require-

ments can vary by state, Hudson says. The federal Equal Credit Opportunity Act has a 25-month requirement, he says. Dealerships also should find out whether they need written releases from their employees or customers.

### Itchy armpits

In addition to improving compliance efforts, dealers and consultants call recording systems a training bonanza.

It's the best way to convince an F&I manager to get rid of an annoying habit, some say, sharing experiences of managers who wagged their fingers at customers or scratched itchy armpits during a presentation.

Ron Reahard, president of Reahard & Associates Inc., counsels

F&I managers to watch for phrases such as "to be honest with you" or bargaining gambits such as: "If I could [throw in X], would you ...?"

"As soon as you say that, you're a car salesman," says Reahard, whose company sells a video recording system used by close to 200 dealerships. "You're not even a good car salesman. You're a car salesman from 40 years ago in a plaid leisure suit."

Williams Auto Group, a five-store group based in Sayre, Pa., has been recording F&I transactions for five months. Customers seem more at ease, and dealership managers have been able to improve sales performance by sharing best practices seen on the recordings, says Kevin Horn, general manager of the group.

For example, the group's Honda store does a great job selling extended-service contracts, getting a 56 percent penetration rate. So Horn shared the videos from the Honda store with the F&I manager at the company's Nissan store. The Nissan manager has since brought his service contract penetration from 22 percent up to the low 40s, Horn says.

Overall, F&I income is up by more than \$300 per vehicle since the recording began, he says.

"I'm pleasantly surprised about the consumer being so receptive," Horn says. "I was extremely nervous about it, and it's had just the opposite effect on them."

Brad Eckhoff, business manager at Mills Ford-Lincoln-Jeep in Willmar, Minn., says the videos have helped him hone his presentation skills since he joined the dealership three years ago. The dealership already was video recording F&I sessions.

"It has doubled my personal income since coming and going through the process and getting the steps and feedback and refining it," Eckhoff says.

### Overcoming resistance

Not all F&I managers are on board with recording. Matt Nowicki, vice president of retail software for IAS, an aftermarket product vendor that sells the SmartEye recording system, says he once watched an indignant F&I manager pack up her boxes and quit as the cameras were being installed.

But others view it as a protection that could nip a legal spat in the bud. At Ken Garff Automotive Group, the recordings do just that dozens of times a year, CEO John Garff says.

With group sales of 70,000 vehicles annually at its 45 stores, it's inevitable that some customers will

see VIDEO, next page



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### To record ... or not

F&I experts say dealers should weigh pluses and minuses when deciding whether to video record F&I transactions.

#### Pro:

- Spot-checks keep F&I personnel compliant with prescribed processes.
- Videos can counter accusations of improper conduct and reduce litigation costs.
- Use of video in training helps F&I personnel improve their presentation.
- Many stores that record see F&I income per vehicle increase.
- Recording can drive away customers perpetrating fraud or identity theft.

#### Con:

- Videos can document a dealership's improper behavior and be used against the store in court.
- Such documentation could expose a dealership to a class-action lawsuit or added regulatory scrutiny.
- Some F&I personnel will resist being recorded.
- There is often uncertainty over how long to keep the videos.

# What if a customer turns the tables?

**Amy Wilson**  
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So what do you do if the customer is the one pulling out of the video or audio recorder?

If you want to keep the sale — and you're confident that your practices are proper — give the customer your blessing, says Dave Robertson, executive director of the Association of Finance & Insurance Professionals.

It's what he would do if he were the dealership employee handling the transaction. And it probably would keep that customer from walking out and buying his or her vehicle from a competitor.

"What would happen if [the F&I manager] said no?" Robertson said. "You wouldn't do business with those people."

It's not a request that comes from customers often, Robertson said. The request could trigger suspicions that the dealership is being set up by someone hoping to trap the store employee in a misstep.

But there are a lot of "paranoid" people out there, too, he says, who worry that a car dealer will take advantage of them.

Whatever the customer's motive, a dealership needs to properly train its F&I personnel. Make sure they're following all compliance requirements.

Make sure they know how to correctly present finance options and products. That way there will be no misstep to worry about.

Says Robertson: "If you're not certain of the rules, then you've got yourself a big problem by letting them record it." **AN**



**Robertson:**  
Know the rules.

## VIDEO

continued from previous page

complain, says Garff, whose stores have been recording transactions for several years. But the videos can refute customers' claims that they weren't offered a particular product such as a service contract.

During the past five years, the group's F&I income is up \$200 to \$300 per vehicle retailed, in part because of video recording, Garff says. Such gains have helped erase the pushback the group initially got from its F&I staff when recording started. As many as a third were adamantly opposed in the beginning, he says.

**"You help people understand why we do this, and the resistance goes away."**

John Garff  
Ken Garff Automotive Group

"Nobody likes to be put under a microscope," Garff says. "But the reality is our employees understood it was to their benefit, to help them increase their compensation and to give them protection in case of challenges. You help people understand why we do this, and the resistance goes away."

To see improvements, dealers and trainers alike say the videos must be reviewed on a regular basis.

With disciplined review, dealerships typically see an increase in F&I income per vehicle retailed of about \$200, IAS' Nowicki says. About 500 stores use Smart-Eye.

Video recording also helps stores improve customer satisfaction and decrease transaction time, says Steve Veldkamp, a trainer with Great Lakes Cos.

"If you do describe the product properly, do it all transparently and let them know how much it's going to cost and describe the product payment, you're not going to have problems down the road," Veldkamp says.

For Tim Cliver, COO of Red McCombs Automotive,

## If you record



Dealers who videotape transactions should follow some specific guidelines, F&I experts say.

- Have a written videotaping policy and follow it.
- Have the dealership's lawyer script presentations and spot-check some videos for legal compliance.
- Review the videos on a regular basis.
- Record all transactions unless a customer refuses. Then make sure to document that refusal.
- Document equipment failures that result in a transaction going unrecorded.
- Have a written policy for how long to keep the videos. Consult with your lawyer to make sure that the period of time complies with record-keeping laws.

eliminating such problems and keeping the dealership group out of the courthouse is Job 1.

Says Cliver: "There's a lot that can go on behind closed doors, and I just sleep a lot better knowing we're watching them." **AN**

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# How dealers can win Gen Y buyers' business

**Jim Henry**  
autonews@crain.com

Young buyers don't trust the F&I process at dealerships, but there are some things savvy dealers and lenders can do to get their business.

"If something is going to appeal to Gen Y, it's got to be trustworthy, nonintrusive with no hidden agenda and no pressure — and it's got to be available at 2 a.m.," says George Halloran, auto finance program director for the Americas at BenchMark Consulting International in Jacksonville, Fla.

Young buyers, seeking an alternative to traditional financing, are

adding to the upsurge in online applications for direct loans, lenders and auto finance experts say.

That's significant because when customers arrange their own financing, dealerships don't have the opportunity to profit by marking up the interest rate on the loan — a practice called dealer reserve — so they typically earn nothing or, in some cases, a flat fee that's usually smaller than the markup would be. Dealer markup can earn stores hundreds of dollars per car.

For indirect loans negotiated at the dealership in the more tradi-



**VW Credit's Andrew Stuart:** Gen Y buyers expect retail transactions with 24-hour service and at-home convenience.

tional way, younger buyers want the dealer markup to be more transparent. Greater transparency puts pressure on dealer margins in F&I. It also puts an additional burden on dealerships to show they're adding value to justify their cut of the profits on indirect loans.

BenchMark's Halloran moderated a presentation on Gen Y preferences at the American Financial Services Association Auto Finance Conference early this year.

The event was held just prior to the National Automobile Dealers Association convention in Las Vegas.

## Gen Y suggestion box

Teams of students from the University of Arizona in Tucson and Wake Forest University in Winston-Salem, N.C., pitched their ideas for how dealers and auto lenders could appeal to younger buyers and espe-

cially how to build mutual trust.

Their suggestions included:

- **Down payment savings plan.** As a prequel to a vehicle purchase, a dealership could help an intending buyer set up an account with a bank or auto finance company. The buyer would make regular monthly deposits. After the total hit a certain goal, say, \$1,500, the dealership would match the fund. If the intending buyer made deposits on time, he or she would qualify for a lower rate.

- **Gradually Reducing Interest Timeline.** The Arizona students called this "GRIT." Like the down payment savings plan, GRIT is meant to address the fact that younger buyers are penalized for being "thin files" with no credit history. For every year of on-time payments, the customer could earn a lower rate — with built-in forgiveness for a specified number of late payments.

- **Information Transmission App.** The so-called iTApp would allow customers to upload their personal information from home. When they walk into a dealership, customer information and items such as insurance verification and trade-in information would automatically show up in forms in the dealer's in-house communication system.

The project was based in part on research from Northwood University, which teaches automotive marketing and management on campuses in West Palm Beach, Fla.; Midland, Mich.; and Cedar Hill, Texas, as well as online.

## Getting motivated

Halloran says auto lenders at the conference told him they found the suggestions interesting and practical.

"The feedback I got was 'Wow, that's interesting stuff,'" Halloran says. "All the suggestions they had were things that could be done. Their assignment was not to go off on a fantasy ride; they had to make suggestions that made economic sense."

Andrew Stuart, CEO of VW Credit Inc., says a Northwood presentation at the same conference a year earlier helped motivate him to get more serious about initiatives to serve Gen Y customers better, such as a special incentive for recent college graduates.

"Because of the lack of transparency, some people are uncomfortable" with traditional, indirect auto lending, says Stuart, who also is chairman of the Vehicle Finance Division of the American Financial Services Association in Washington.

Stuart says that besides transparency, the roughly 70 million members of Gen Y, also called Millennials, are conditioned to expect retail transactions with 24-hour service and at-home convenience. Millennials range in age from around 12 to 32.

"They want personal attention," Stuart says. "If you want to do business with them, you've got to do business quickly. You've got to come to them and provide service how they want it, where they want it, and when they want it." **AN**

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# Young consumers lead drive to online financing

**Jim Henry**  
autonews@crain.com

More consumers are submitting their own credit applications online rather than letting a dealership F&I manager do it for them, auto lenders and industry observers say.

"Consumers are saying, 'Why do I need to go to the bank? Why do I need to go to the F&I department?'" says Tom Alexander, finance department chairman at Northwood University in Midland, Mich.

Young consumers do it the most, but to a degree, consumers of all ages are interested in online financing, he says. "Why not just go online at home, get your loan, go to the dealership, and pick up your car?"



**Alexander:**  
Online financing has wide appeal.

The percentage of direct loans — loans not arranged through the dealership — is still relatively low. According to the Power Information Network, direct loans and cash buyers accounted for about 21 percent of U.S. retail volume in the first quarter, down slightly from a year ago. But in the long run, an increase in direct loans could erode dealership profits.

That also raises a potential problem for auto lenders that make both direct-to-consumer loans and indirect loans negotiated at the dealership. Those lenders include many banks, some independent finance companies and credit unions.

Santander Consumer USA of Dallas, a sub-prime and near-prime lender that makes both direct and indirect auto loans on new and used vehicles, call this dilemma "channel conflict."

## Online or at the store?

### Why consumers go online for auto loans

- **Convenience:** There's no need to leave home to go to a bank, credit union or dealership. Available 24/7.
- **Familiarity:** Consumers, especially younger ones, have gotten used to buying things, managing their accounts and paying bills online.
- **Trust:** Some consumers don't trust the F&I process at the dealership and don't like being pitched F&I products and other extras.

### What they may miss by skipping the dealer

- **Incentives:** Captive finance companies and preferred lenders have a monopoly on manufacturer incentives, which can help consumers get a better deal.
- **Competition:** Lenders compete for loan contracts, so interest rates are lower on average than those on direct-to-consumer loans, Experian Automotive says.
- **F&I products:** Some direct-to-consumer lenders make it difficult to finance F&I products on the same contract as the loan.

Dealerships typically earn nothing or, in some cases, a flat fee on direct loans. But they can make hundreds of dollars per car by marking up the interest rate on indirect loans, a practice called dealer reserve.

Cash buyers and buyers who walk into the dealership with a direct loan in hand are less likely to buy aftermarket products, such as extended-service contracts, wheel-and-tire protection or GAP, which also erodes dealership revenue.

Online customers may not like being "flipped" to an indirect loan at the dealership. But according to Atlanta-based AutoTrader.com, about 80 percent of customers who try to arrange their own financing get switched to an indirect loan at the dealership.

Financially, that's not necessarily bad news for the consumer. An indirect loan can be a better deal because of factory incentives from captive finance companies that aren't available on direct-to-consumer loans — and savvy F&I managers know how to use a lower

interest rate to snag more finance business and sell aftermarket products that can be included in the financing.

Nevertheless, there's a big disconnect between customers seeking their own financing and the dealership F&I process, which is geared toward indirect loans. At the very least, switching customers to an indirect loan is inefficient. At worst, customers may feel like they're being sold something they don't want.

"There's a tremendous amount of dissatisfaction out there," said Chip Perry, CEO of AutoTrader.com, at a conference in April.

Many consumers — especially younger ones — take for granted that they can conduct all their business online. In addition, many consumers don't fully trust the dealership F&I process. Those factors are fueling the growth in online applications.

Here are a few examples:

- AutoTrader.com says it sees an average of 25,000 online applications for preapproved, direct loans monthly. The company sends those

leads to dealerships, but the stores don't even open close to half of them, Perry says, and that contributes to customer dissatisfaction.

■ Santander Consumer USA says its Road-Loans.com online channel for direct loans is growing. Online applications for direct loans make up 15 to 20 percent of Santander's total auto loan applications. But most of those get switched to indirect loans at the dealership. Direct loans account for substantially less than 10 percent of Santander's total volume, the company says.

■ VW Credit, meanwhile, had a 48 percent increase in online loan applications in just six months, CEO Andrew Stuart says. That growth came after VW Credit and Volkswagen of America gave online credit apps more prominent placement on their Web sites late last year. VW Credit wouldn't disclose a specific number for its online applications.

Santander Consumer USA tries to minimize channel conflict by structuring its direct-to-consumer loans so they don't undercut indirect loans at dealerships, Lana Johnson, a company vice president, says.

VW Credit avoids bumping heads with its dealers because it doesn't make direct-to-consumer loans, Stuart says. The captive finance company makes indirect loans through dealerships exclusively, he says. VW Credit customers who apply online can qualify before visiting a dealership, but they can't get a loan for a specific vehicle. For that, they have to go to a dealership for an indirect loan.

But Stuart says the growth in online applications shows that customers like the concept of applying online before they go to a dealership.

"It's popular," he says. "Something like online credit apps really make sense." **AN**

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## RENOVATE

### Penske rep: We've learned over time

continued from Page 38

terms of the size and the shape and where we put people," he says. "We've refined the process and learned over time."

Penske ranks second among *Automotive News'* top 125 U.S. dealership groups with total new-vehicle retail sales of 154,829 in 2011.

While trailers have worked for Penske, Sackaroff vehemently opposed the idea for Curry Honda.

"We were worried about security and space," he says. "The salespeople would be on top of each other. Even if you get a big trailer, there's still congestion. And the trailers are not secure like a building is."

Curry Honda sells about 1,500 new and used vehicles a year.

Sackaroff says it has cost more to renovate in shifts than to rent a trailer. And it likely has added a month to completion time. But he says it was "well worth it doing it this way."

### Every Tuesday at 10 a.m. Sackaroff meets with the construction company's foreman and the architect to go over every detail of the upcoming week's renovations.

Sackaroff keeps a spreadsheet on his wall that shows each step in the renovation process. Every Tuesday at 10 a.m. he meets with the construction company's foreman and the architect to go over every detail of the upcoming week's renovations to forestall any problems.

"It's not negotiable. You can't stop doing business while this goes on," Sackaroff says. "Many people have told me that business either stays the same or it gets better when you're doing this the right way."

He adds that since starting renovation in August 2011, "amazingly, our customer satisfaction scores went up." **AN**

# Storm clouds gather over dealer markups

## Will regulatory pressure force switch to flat fees?

**Jim Henry**  
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The dealer markup on indirect auto loans is the subject of intense debate among auto lenders, dealers, consumer advocates and government regulators.

Some experts, including even some auto lenders, say a time may come when one-size-fits-all flat fees could replace the dealer markup, which can vary from customer to customer within certain limits, depending on what the market can bear.

"The dealer markup model and the regulatory pressures we are facing, that's really my concern as you look at increased bank regulation. It's stuff we are all concerned about," says Andrew Stuart, CEO of VW Credit Inc.

The markup model "can kind of be a target," he adds. Dealer markup, also called dealer reserve or finance reserve, is the practice whereby dealerships mark up the interest rates on loans they arrange for customers as a source of income for the dealership.

The markup is a mainstay of a dealership's profits in the finance and insurance department and for the store as a whole.

Most dealership groups don't disclose how much they make on dealer reserve. However, publicly traded Lithia Motors Inc. of Medford, Ore., reported its average was \$406 per car in the fourth quarter of 2011, up from \$361 in 2010. As of the first quarter of 2012, Lithia stopped re-

porting that specific number, although it still reports total F&I revenue per vehicle.

In 2011, Lithia sold 44,537 new vehicles at retail, ranking it No. 9 on *Automotive News'* list of the top 125 dealership groups.

### Controversial practice

VW Credit's Stuart is also chairman of the Vehicle Finance Division of the American Financial Services Association in Washington. At an association conference in San Francisco earlier this year, Stuart said he sees the auto lending industry slowly moving toward flat fees.



**Benoit: Why should dealers reveal markups?**

The big question is whether government regulators, including the new Consumer Financial Protection Bureau or the Federal Trade Commission, could speed that up by taking another look at dealer markup. The practice has been controversial in the past.

Potential interest from the Consumer Financial Protection Bureau could also come as more consumers apply for loans online, instead of having a dealership F&I manager do it for them. That could lead to more direct-to-consumer loans, in which the dealership doesn't get paid for acting as a middleman.

In addition, some shoppers — especially younger ones — distrust the dealership F&I process and want more transparency, research by Northwood University in Midland, Mich., shows.

"At the dealership, there is no transparency," says Tom Alexander, Northwood's finance department chairman. "It's not transparent and never has been. The dealers don't want it to be, and that's not a good thing anymore."

### Past troubles

Legally, the fact that the dealership can set the final interest rate on an auto loan is a big part of what made dealer markup controversial in the past. Dealer discretion raises the possibility that two customers

with similar credit histories, representing similar levels of risk, can be charged two different rates.

That's OK unless the price difference has what's called a disparate effect on customers. That is, a statistically disproportionate effect on a legally protected class of consumers — for example, minorities. If that can be proved, it amounts to discrimination even if lenders or dealers didn't intend to discriminate.

The disparate-effect argument was central to court cases in the late 1990s and early 2000s that led to settlements in which several auto lenders agreed to put caps on dealer markups.

Michael Benoit, a partner with the law firm Hudson Cook in Hanover, Md., says he doesn't think the Consumer Financial Protection Bureau or the FTC is likely to tackle dealer markups directly. However, he wrote in an e-mail that it's possible regulators again could promote caps on dealer markups. Benoit is counsel for the AFSA Law Vehicle Finance Subcommittee.

Benoit said dealers shouldn't have to disclose their markups on auto loans any more than retailers in other industries should have to disclose their markups.

### Warning shot?

The Consumer Financial Protection Bureau has been careful to avoid saying much about its plans to regulate auto lenders. But without singling out the auto industry, the bureau put out a statement in April that specifically said it intends to use disparate impact as a "legal avenue ... to pursue lenders whose practices discriminate against consumers."

Tom Lazenby, senior vice president for Regions Financial in Birmingham, Ala., says that within reason, auto lenders would do whatever it takes to comply with the rules, but there is way too much uncertainty about what the rules will be. "Just give us a roadmap, and we will comply," he said, at the Auto Finance Risk Summit in Dallas last month.

But what if lenders are forced to switch to flat fees?

"I would take that deal," Lazenby said. "Just give us the road map." **AN**

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# Redone Lexus ES isn't just a me-too Toyota

**Mark Rechtin**  
mrechtin@crain.com

PORTLAND, Ore. — Lexus detractors pillory the ES 350 as little more than a rebadged Toyota Camry XLE. But an initial drive of the re-engineered 2013 ES lineup challenges that claim, even though much of the platform and powertrain are shared with the Camry.

**The basics:** The wheelbase matches that of the Toyota Avalon full-sized sedan, rather than the Camry, giving it extra interior roominess.

The carryover 3.5-liter engine develops 268 hp and is rated at 21/31 mpg in city/highway driving without modern features such as direct injection. It also runs on 87-octane gasoline.

Although it has been panned as a soulless, soporific appliance, the ES 350 zips to 60 mph in 7.1 seconds and turns a 15.1-second quarter-mile time.

The carryover six-speed automatic transmission is a bit behind competitors' seven- and eight-speed



Lexus hopes to sell 50,000 to 60,000 ES 350s a year in the United States. Prices will be announced closer to the car's August on-sale date, and executives said the sticker should remain close to that of the current model's \$37,150, including shipping.

automatics, but shift quality is smooth. The car's sport mode maintains ride comfort while increasing stability through hard corners, but there is no mistaking the ES for a sport sedan.

**Notable features:** For the first time, the ES line gets a hybrid. The ES 300h uses a 2.5-liter four-cylinder Atkinson cycle engine that delivers power to the wheels via a motor-generator and an electronically controlled planetary gearset that mimics a continuously variable transmission. It is the same system used in the Toyota Camry.

For increased body rigidity, Lexus has reinforced the instrument panel, added floor braces and a rear strut bar and used more ultra high-strength steel throughout.

Standard features include 10 airbags, 17-inch wheels, SmartKey, Bluetooth connectivity and a navigation system with instant traffic reports. The standard 10-way power driver and passenger seats come with faux-leather seating surfaces and improved cushioning for the pelvis and hips.

The base model comes with a moon roof, and there's an optional panoramic frameless glass roof that

retracts one panel over another. The base audio system includes a CD player, high-definition radio, eight-channel digital amplifier, auxiliary jack, satellite radio hookup and eight speakers.

For drivers who forget their high beams are on at night, the ES 350 automatically dims them when headlights or taillights are detected ahead. The optional blind spot monitor system detects objects from the rear bumper when backing out of a parking space. The interior paneling on the hybrid edition includes bamboo wood trim.

**What Lexus says:** "I wanted to design a truly global ES," Toshio Asahi, ES chief engineer said at the media introduction here. "Every decision was considered from a global perspective."

**Compromises and shortcomings:** The instrument panel and center stack share design language with the upmarket GS sedan, but the ES version seems to have less content and has a clunky array of buttons oddly reminiscent of a 1980s stereo receiver. The rear seats don't fold down, which is great for lateral stability but lousy for Home Depot runs. The optional 18-inch

## A longer Lexus ES

The new Lexus ES 350 is 1.6 inches longer than the version it replaces.

	2013 LEXUS ES 350	2012 LEXUS ES 350
<b>Wheelbase</b>	111.0 in.	109.3 in.
<b>Length</b>	192.7 in.	191.1 in.
<b>Width</b>	71.7 in.	71.7 in.
<b>Height</b>	57.1 in.	56.3 in.
<b>Curb weight</b>	3,549 lbs.	3,580 lbs.
<b>Base engine</b>	3.5-liter V-6	3.5-liter V-6
<b>Horsepower</b>	268 @ 6,200 rpm	268 @ 6,200 rpm
<b>Torque, lbs.-ft.</b>	248 @ 4,700 rpm	248 @ 4,700 rpm
<b>EPA mpg</b>	21 city/31 hwy.	19 city/27 hwy.
<b>Base price</b>	N.A.	\$37,150*

\*Includes shipping

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The ES 350's instrument panel and center stack share design language with the upmarket GS sedan, but the ES version seems to have less content and has a clunky array of buttons.

wheels create substantially more road noise. Normally, Toyota's mileage estimates for its hybrid models are dead on, but despite its claimed 40 mpg, the ES 300h returned only 34 mpg on a 90-minute loop driven sedately.

**The market:** Globally, Lexus hopes to sell about 100,000 units a year, 50,000 to 60,000 of them in the United States. Prices won't be announced until closer to the car's August on-sale date, but executives said the sticker should remain close to that of the current model's \$37,150, including freight. Still, with the strong yen and more content, expect some price bump.

The marketing launch will carry the tag line "Unforgettable" and will attempt to change preconceived opinions about the ES and Lexus in general. Commercials will focus on the style of the car's interior and exterior.

**The skinny:** The ES is evolutionary and lacks some of the technology leaps of its rivals. The center stack layout is a disaster. But the ride is smooth, and the engine has good power. It likely will retain a good chunk of the buyer base that loves Lexus' customer service and perfectionist engineering — but good luck trying to conquest someone out of an Audi A4 or BMW 3 series just because the ES is larger. **AN**

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# Kahn seeks Round 2 in fight with Nissan

**Lindsay Chappell**  
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NASHVILLE — Former California Nissan dealer Michael Kahn has asked a California Court of Appeal to overturn last year's \$40 million jury verdict against him in his lawsuit against Nissan North America and Nissan Motor Acceptance Corp. and to give him a new judge and trial.

Kahn had sought more than \$200 million in damages from Nissan after it canceled his financing for vehicle floorplanning and real estate in the pit of the 2008-09 national credit crisis.

Speaking to *Automotive News* with his attorney, Kahn said he believes the Los Angeles Superior Court judge on the case erred by limiting the trial to a question of whether or not he was out of trust, or delinquent in paying his loans to the automaker.

The real point of the lawsuit, Kahn said, was whether Nissan misled him. But that issue was eliminated from the jury's consideration last year.

"Did I breach the contract? Absolutely," Kahn said. "If you're out of trust, you breached the contract. But that wasn't the whole story — yet it was the only issue the jury was allowed to rule on."

The jury ordered Kahn to pay Nissan \$40 million.

Commenting on Kahn's request for a new trial, Nissan North America chief spokesman David Reuter wrote in an e-mail: "The facts in Kahn v. Nissan were very clear and the jury correctly rejected all of Mr. Kahn's claims and returned a significant judgment in favor of Nissan. We are confident that verdict will stand, and are equally confident that we would win any appeal."

Once one of Nissan's highest flying dealers, Kahn's Superior Automotive Group operated five Nissan stores in the Los Angeles and San Francisco areas, plus three other stores, and reported 2007 revenues of \$507 million.

He lost everything when Nissan found him to be out of trust and canceled his financing in February 2009.

Nissan also was financing a Toyota dealership that Kahn owned at the time.

Kahn filed suit a year later, claiming that Nissan officials had assured him they would work with him to resolve his debt problems.

Kahn says he had become current in his loans in part by selling off one of his dealerships as well as his company plane.

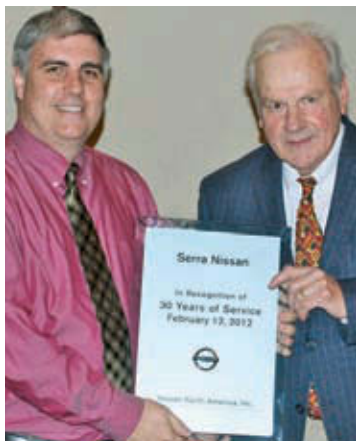
He argues that had Nissan made clear its intention to cancel his financing, he still had the time and resources in 2008 to raise money to save his dealerships. **AN**

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### 25 with Buick, Chevy

**Daniel Sale**, left, of Sale Auto Mall in Kinston, N.C., receives 25-year awards for Buick and Chevrolet from James Brady, Chevrolet's zone manager for North Carolina.



### 30 with Nissan

**Tony Serra**, right, of Serra Nissan in Birmingham, Ala., receives a 30-year award for Nissan from Mike James, a dealer operations manager in Nissan North America's Southeast region.



### 40 with Honda

**Ryan Hopkins**, right, of Larry Hopkins Honda in Sunnyvale Calif., receives a 40-year award for Honda from Eric Van Olst, zone sales manager for American Honda Motor Co. in northern California.



### 25 with Land Rover

**Warren Henry Zinn**, right, of Land Rover North Dade in Miami receives a 25-year award for Land Rover from Burke Johnson, Jaguar Land Rover's South Florida market area manager.



### 25 with Toyota

**Kevin Riley**, right, of Riley Toyota in Jefferson City, Mo., receives a 25-year award for Toyota from Tony Mueller, general manager of Toyota Motor Sales U.S.A.'s Kansas City region.



### 25 with Acura

**Archie Woodward**, left, of Gold Coast Acura in Ventura, Calif., receives a 25-year award for Acura from Jeff Conrad, American Honda Motor Co. vice president in charge of Acura sales.

### Dealer anniversary awards

We invite news items and top-quality photographs for the dealers section. Please include your telephone number or e-mail address.

We do not run items for anniversaries of fewer than 25 years. Photos for 25-45 years (one-column photos) should include only two people posed shoulder to shoulder.

Photos for 50 or more years (two-column photos) should

have no more than six people.

Please include names (left to right), titles, dealership name and city, franchise(s) held and franchise for which award is given.

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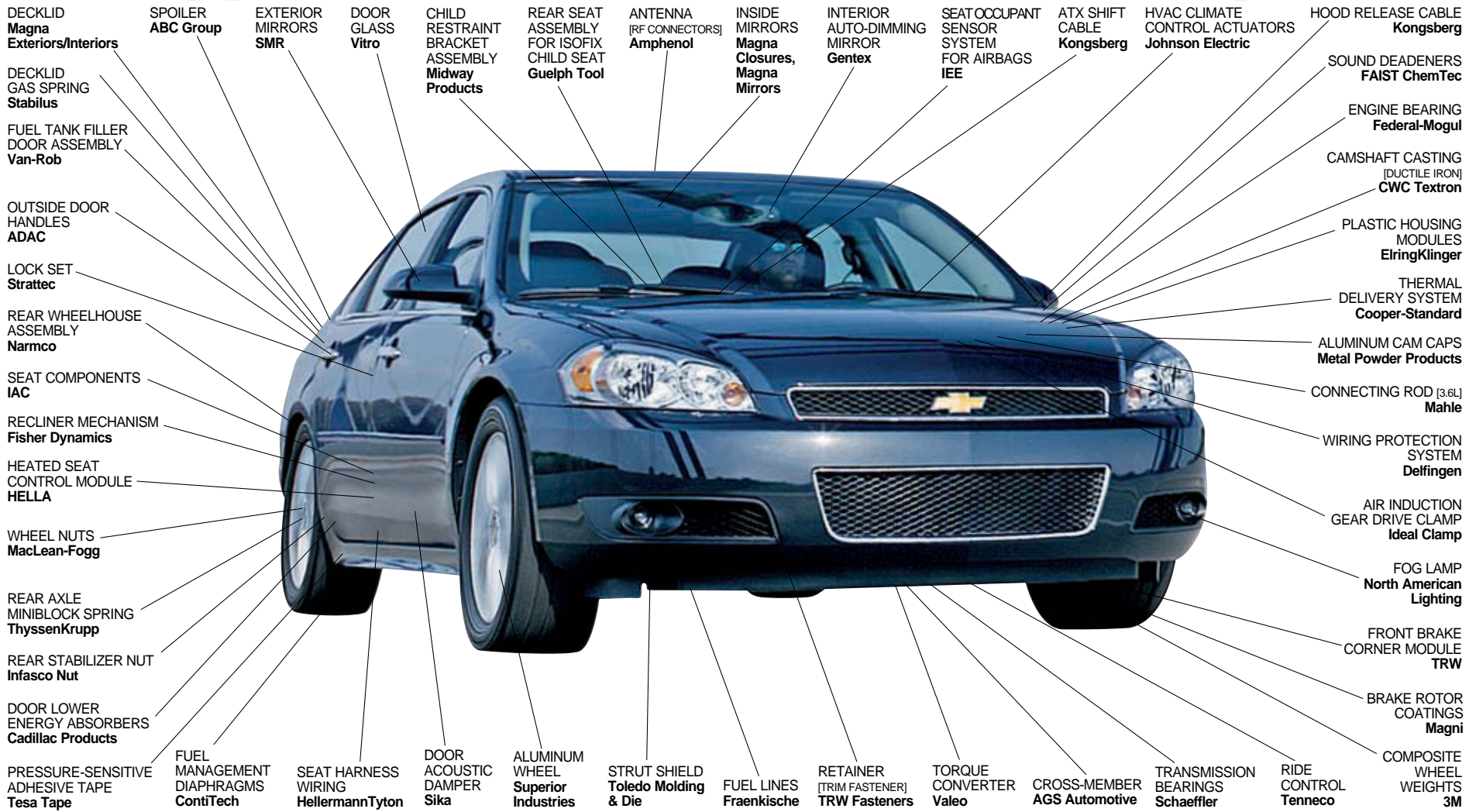
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**Emerging markets may export Toyotas to U.S.**

**Hans Greimel**  
 hgremel@crain.com

TOKYO — Toyota Motor Corp.'s new blitz to gain business in emerging markets could pave the way for exports from those regions to the United States, executives say.



**Funo: "The hurdle that has to be overcome is pretty high."**

Toyota unveiled plans late last month to introduce eight compact models for customers in India, Brazil, China and Southeast Asia by 2015 as it plays catch-up to global rivals such as General Motors and Volkswagen Group in those markets.

The new vehicles should deliver additional sales of 1 million a year in that time frame, said Yukitoshi Funo, executive vice president for emerging markets.

The blueprint calls for expanding production capacity in emerging markets to 3.1 million units in 2013, from 2.4 million in 2010. Toyota also wants half of its global sales in those regions by 2015, up from 42 percent in 2010.

Toyota has no concrete plans to export from those areas to the United States or other developed markets. But the expansion opens the door to the possibility.

Kazuhiro Kobayashi, managing officer in charge of product and business planning for emerging markets, said, "Once we have the ability to produce good cars in emerging countries, those cars would also be able to attract inter-

est of customers in the United States, and therefore we would like to consider such a policy."

He added, "If we can identify good opportunities, we will pursue further such international mutual complementation."

Toyota exports some vehicles to Europe from Thailand.

Other carmakers also are exploring exports from the region in an effort to offset foreign exchange losses from exporting from Japan in light of the yen's unfavorable exchange rate against the dollar and the euro.

Funo cautioned, though, that much work must be done before cars made in emerging markets are ready to sell in markets such as the United States or Japan. Customer preferences and legal and regulatory differences must be considered.

"The hurdle that has to be overcome is pretty high," he said. "Japanese customers care a lot about minute details and are very demanding. And it's the same in the United States." **AN**

**Report: Mazda will cut jobs in U.S. and Europe**

**Hans Greimel**  
 hgremel@crain.com

TOKYO — Mazda Motor Corp. plans to cut 150 jobs in the United States or about 20 percent of its local work force this year as part of its global restructuring plan, Japan's *Nikkei* business daily reported last week.



**O'Sullivan warned that voluntary buyouts might not be enough.**

Another 100 jobs are expected to be cut in Europe by Mazda, which is embarking on a global cost-cutting campaign as it struggles to end four straight years of losses.

Mazda informed its U.S. employees of the job cuts in a March 3 memo. And it has since said that 107 workers in the United States have already accepted voluntary buyout offers.

The job cuts referenced by the *Nikkei* are the same as those already announced, Mazda spokeswoman Michiko Terashima said.

She said Mazda would not disclose layoff target figures or give an update on how many workers have agreed to leave.

Extrapolating from the *Nikkei*'s June 1 report, Mazda would be targeting another 50 or so jobs in the United States. The company had 701 workers there at the beginning of March.

Jim O'Sullivan, CEO of Mazda North American Operations, told employees in his March memo that layoffs could occur if Mazda didn't hit its cost-cutting goals through the buyouts.

Last week, a Mazda spokesman wrote in an e-mail: "I don't know where the 20 percent came from. What I can confirm is that we have told employees that we are not planning to do any involuntary separations."

The voluntary buyout offers in the United States included separation pay, a lump-sum payment based on years of service and assistance locating a new job.

In Europe, the company will reduce staff at its German unit, which is in charge of European sales, by a third to just under 200 workers, the *Nikkei* said.

Mazda has suffered from slumping global sales, high r&d costs and a heavy reliance on exports that makes it especially vulnerable to the strong Japanese yen.

Mazda's operating losses in North America increased to \$505 million in the fiscal year that ended March 31, from \$397 million the year before. **AN**

Ryan Beene contributed to this report

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## EXECUTIVE COMPENSATION

# Mulally tops the 2011 CEO-pay list

## Stock awards account for most of the Ford chief's compensation

**Adam Rubenfire**  
arubenfire@crain.com

An automaker CEO was the top-earning chief executive among publicly traded North America-based automotive companies in 2011.

That may not sound surprising. But in recent years, automaker CEOs have taken a back seat to supplier and dealership group CEOs. In the past decade, no automaker CEO has been the biggest earner.

Alan Mulally, CEO of Ford Motor Co., took the top spot in an annual survey of executive compensation prepared by Equilar Inc. of Redwood City, Calif.

Mulally earned \$68,247,702 in 2011, most of which can be attributed to more than \$58 million in stock award gains. Mulally's total compensation in 2011 more than tripled what he made in 2010, when he ranked No. 3. That year, his stock award gains accounted for only about \$9.3 million of his approximately \$20.8 million total compensation.

Mulally is reaping the benefits of Ford's continuing recovery, Equilar research analyst Aaron Boyd said. Boyd pointed out that much of the stock from which Mulally is making gains was given to him in 2008 and 2009 at a lower value. Much of that equity is beginning to vest now.

Boyd said Mulally gets yearly stock awards from Ford that have been more and more valuable as the company's finances have improved.

Mulally switched places with last year's biggest earner, John Plant, CEO of TRW Automotive Holdings Corp., who is now in Mulally's former No. 3 spot, earning almost \$30 million — about \$11 million less than he made in 2010 when he was No. 1.

### Cashing in on stock

Boyd said Mulally's stock success represents a wider trend of higher executive pay in the auto industry, as well as other industries across the United States.

"As the market has recovered from the lows of 2009 and stock prices have risen, we're seeing executives begin to cash in on the equities that they were holding," Boyd said. "You're starting to see people finally realize gains from those awards that they were holding, as opposed to back when stock prices were at 10-, 15-, 20-year lows, in which case nobody was selling stock, nobody was exercising options, and so pay was going down."

Among the 35 CEOs ranked in this year's list, only two — Roger Wood of Dana Corp. and Jose Maria Alapont of Federal-Mogul — had no compensation from stock awards or options. The rest, particularly the top five, saw a large portion of their compensation coming from stock growth.

"Equity really does drive pay," Boyd said. Mulally had company at Ford: Bill Ford,

### Swings in CEO pay

#### 2011 vs. 2010

##### BIGGEST GAINERS



**Alan Mulally**  
Ford Motor Co.  
**+228%**

**Richard E. Dauch**  
American Axle  
**+222%**

**Fred Bauer**  
Gentex  
**+154%**

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##### BIGGEST LOSERS



**Dinesh Paliwal**  
Harman International  
**-30%**

**John Plant**  
TRW Automotive  
**-28%**

**Theodore Solso**  
Cummins  
**-21%**

PALIWAL

Source: Equilar Inc.

the executive chairman, made \$42,361,200 in stock award gains, which make up more than 89 percent of his 2011 compensation. Mulally's stock awards make up 86 percent of his 2011 pay. Bill Ford's compensation was higher than all the CEOs except Mulally. The No. 2 CEO, Tim Manganello of Borg-Warner, made about \$39.3 million in 2011, moving him up from No. 4 on the 2010 list.

Another non-CEO, Frank Stronach, Magna Corp.'s honorary chairman, pulled in hefty compensation. But most of Stronach's \$59,207,120 came from bonus and incentive plan compensation.

Though it was reported, according to proxy statements, that General Motors CEO Dan Akerson made \$7.7 million in 2011, Boyd said Equilar's methodology for calculating CEO compensation found that Akerson's compensation

**Bill Ford's 2011 total compensation beat that of most CEOs.**



### How we keep score

The compensation list on the next page is compiled by Equilar Inc., of Redwood City, Calif., from publicly reported compensation data of CEOs of publicly traded U.S. companies.

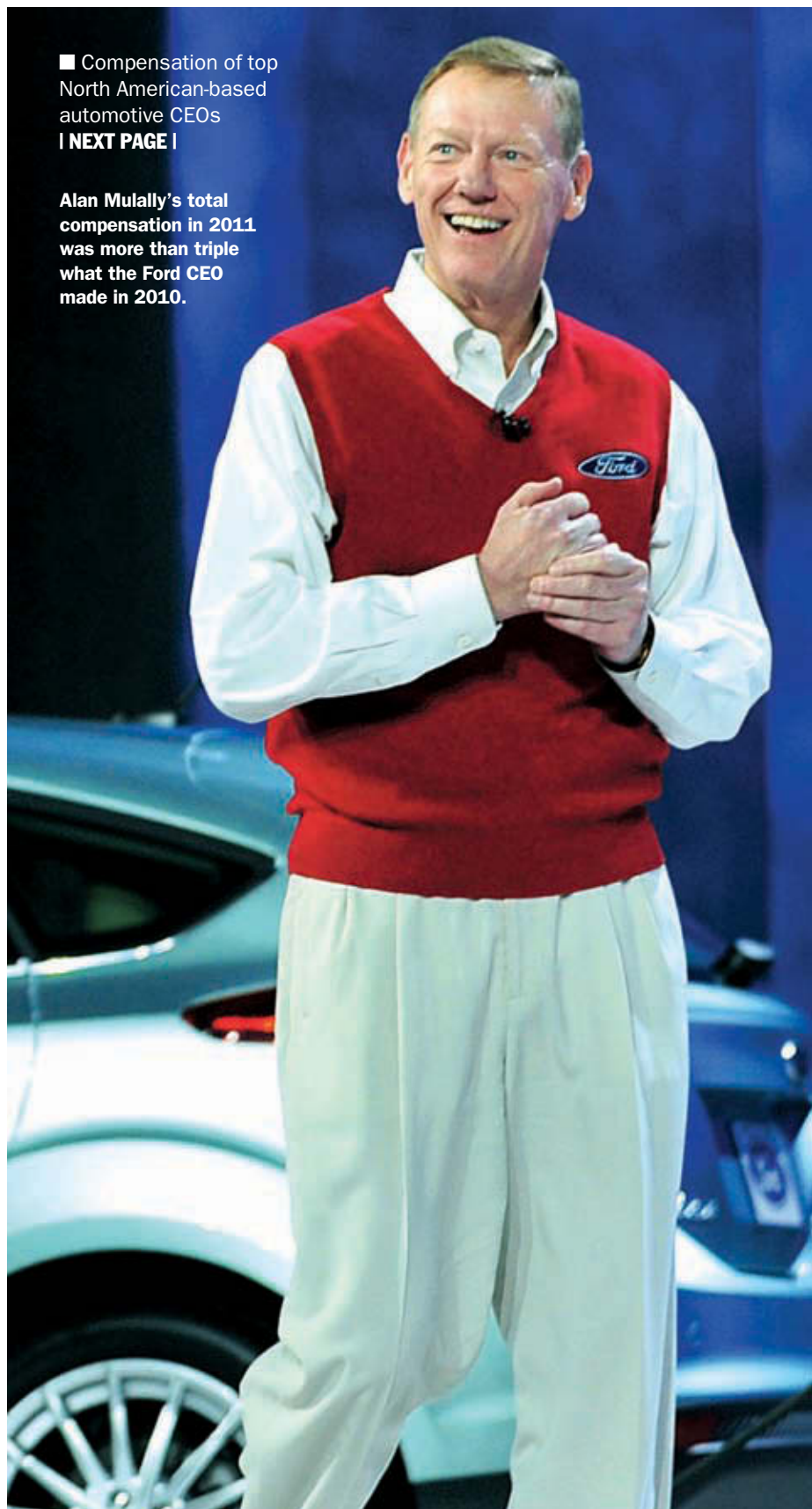
Automotive News uses the compilation of base salary, bonuses, incentive plan compensation, gains on the exercise of stock options, vested stock award gains and other recorded values to define total compensation. The "other" category puts

a dollar value on the perks — such as a country club membership — that many CEOs enjoy. Such compensation is listed on corporate proxy statements filed with the federal government.

The table also includes accumulated pension benefits and deferred compensation plans, but those values are not included in the total compensation value. Unexercised stock options and award gains are not recorded in the table.

■ Compensation of top North American-based automotive CEOs  
| NEXT PAGE |

Alan Mulally's total compensation in 2011 was more than triple what the Ford CEO made in 2010.



did not make the list, which ends with No. 35 Steven Borick, CEO of Superior Industries International, who made about \$2.3 million.

Boyd explained that Akerson's perceived \$7.7 million compensation was calculated based on the value of his stock awards on the day they are granted, resulting in a hypothetical value of how much he would make from a stock award. Equilar calculates the value of stock based on the day it vests — when the shares are eligible to be sold, and their value can be realized.

### Bonuses are down

Though executives are generally seeing higher pay, they're not necessarily seeing higher income from bonuses and incentive plan compensation. In fact, cash bonuses are down roughly 5 percent for the 35 executives on this list. Boyd said that the decrease in cash bonuses likely means that while those executives may be putting more money in their pockets, they're not meet-

ing their companies' profit targets.

James McElya, CEO of Cooper-Standard Automotive, saw the highest drop in bonuses among executives on the list, taking home 74 percent less in bonuses than he did in 2010.

Roger Penske, CEO of Penske Automotive Group, was the only CEO who did not take home any bonus in 2011. **AN**

**BorgWarner's Tim Manganello moved up from No. 4 on the list in 2010 to No. 2.**



# Captains of industry

## Top North America-based automotive CEOs ranked by 2011 total compensation

Blue = supplier; red = dealership group; orange = automotive services; green = automaker

Rank	Name (age)	Company	2011 total compensation	2010 total compensation	2011 base salary	2011 bonus & incentive plan compensation	2011 stock option gains	2011 stock award gains	2011 other	Retirement pay accumulated pension benefits	2011 deferred compensation balance
1	Alan Mulally (66)	Ford Motor Co.	\$68,247,702	\$20,826,019	\$2,000,000	\$5,460,000	\$1,742,500	\$58,432,615	\$612,587	\$0	\$667,479
2	Timothy Manganello (62)	BorgWarner	39,266,511	17,733,009	1,141,250	3,718,000	8,718,518	24,747,821	940,922	0	20,441,849
3	John Plant (57)	TRW Automotive	29,720,395	41,090,883	1,898,077	5,143,500	13,251,063	8,806,940	620,815	21,980,000	1,647,757
4	Alexander Cutler (60)	Eaton	25,843,396	28,469,570	1,203,000	4,458,058	18,168,617	1,910,546	103,175	20,224,384	831,248
5	Charles Bunch (62)	PPG Industries	19,659,028	13,126,408	1,145,833	3,200,000	5,418,445	9,717,796	176,954	15,487,315	3,440,895
6	Donald Walker (55)	Magna International	17,088,200	13,095,905	310,500	6,927,760	6,003,540	3,463,880	382,520	0	0
7	Michael Jackson (63)	AutoNation	15,725,832	8,559,002	1,150,000	1,506,040	12,875,519	0	194,273	0	1,092,270
8	Stephen Roell (61)	Johnson Controls	14,222,280	14,266,179	1,406,000	7,540,000	4,691,880	281,325	303,075	19,718,078	7,152,167
9	Daniel Ustian (61)	Navistar International	12,511,430	7,674,774	1,238,333	1,450,000	8,151,975	1,577,287	93,835	13,108,169	1,262,563
10	Theodore Solso† (65)	Cummins	11,824,400	14,926,913	1,355,000	8,881,500	0	1,428,956	158,944	24,631,992	7,260,783
11	Richard E. Dauch (69)	American Axle & Manufacturing	11,759,979	3,653,456	2,526,728	6,000,000	2,540,535	543,275	149,441	26,508,701	4,970,218
12	James McElya (64)	Cooper-Standard	10,857,297	8,748,423	975,000	1,991,477	0	7,600,485	290,335	5,626,679	983,859
13	Ellen Kullman (56)	DuPont	9,733,727	6,092,314	1,332,500	2,509,000	1,115,592	4,312,454	464,181	11,969,042	2,771,518
14	James Griffith (58)	Timken	8,891,724	8,792,770	1,058,334	4,624,356	1,939,867	1,107,115	162,052	12,014,000	930,642
15	Richard Kramer (48)	Goodyear Tire & Rubber	8,189,098	N.A.	1,000,000	6,751,400	0	378,778	58,920	5,613,184	118,680
16	Timothy Main (54)	Jabil Circuit	7,581,039	5,915,640	1,050,000	1,966,309	1,002,635	3,562,095	0	0	0
17	Gregg Sherrill (59)	Tenneco	6,377,320	5,669,783	983,250	1,616,927	0	3,284,221	492,922	0	1,093,424
18	Thomas Lynch (57)	TE Connectivity	6,137,015	5,571,328	1,005,769	1,250,000	0	3,438,008	443,238	0	2,909,614
19	Donald Stebbins (54)	Visteon	5,892,939	5,677,470	1,236,000	1,826,499	0	2,627,773	202,667	1,617,919	0
20	David Speer (60)	Illinois Tool Works	5,865,577	5,937,722	1,166,990	2,184,605	2,396,160	0	117,822	11,425,507	9,967,025
21	Earl Hesterberg (58)	Group 1 Automotive	5,810,025	6,798,243	1,000,000	1,000,000	0	3,566,880	243,145	0	2,137,419
22	Mark O'Neil (52)	DealerTrack	5,638,080	2,556,382	522,100	907,540	3,297,092	902,459	8,889	0	0
23	Dinesh Paliwal (54)	Harman International Industries	5,298,902	7,617,929	1,152,649	3,476,250	0	541,800	128,203	9,415,619	0
24	Thomas Folliard (47)	CarMax	4,933,608	4,606,320	1,037,308	898,560	2,678,350	0	319,390	1,298,910	416,899
25	Matthew Simoncini* (50)	Lear	4,596,356	4,575,169	813,333	1,562,601	0	2,025,592	194,830	310,629	485,581
26	Jan Carlson (51)	Autoliv	3,790,210	3,269,950	1,226,563	794,813	0	486,358	1,282,476	340,669	0
27	Jose Maria Alapont† (61)	Federal-Mogul	3,221,933	3,200,599	1,500,000	1,500,000	0	0	221,933	29,633,918	0
28	O. Bruton Smith (85)	Sonic Automotive	3,163,110	3,295,096	1,100,000	1,760,000	0	207,720	95,390	0	0
29	Roger Wood* (48)	Dana Corp.	3,137,857	N.A.	671,032	2,397,125	0	0	69,700	0	17,041
30	Roger Penske (75)	Penske Automotive Group	3,024,303	1,674,866	1,200,000	0	0	1,709,370	114,933	0	0
31	Sidney DeBoer (68)	Lithia Motors	2,984,271	1,532,925	840,000	1,102,500	42,240	0	999,531	0	1,009,655
32	Craig Monaghan* (55)	Asbury Automotive Group	2,754,003	N.A.	735,346	705,000	0	1,292,742	20,915	0	0
33	Fred Bauer (69)	Gentex	2,552,975	1,006,407	449,397	83,757	1,994,895	0	24,926	0	0
34	Thomas Burke (54)	Modine Manufacturing	2,446,828	1,349,663	697,350	1,396,875	0	282,199	70,404	0	198,130
35	Steven Borick (59)	Superior Industries International	2,270,455	1,973,689	850,000	350,000	960,203	0	110,252	2,332,492	0

Note: Reflects 2011 data † Former CEO (or planning to leave) N.A. = Not available \*New CEO

Source: Equilar Inc., equilar.com

## Top senior executives

Company Name (age)	Title	2011 total compensation	2010 total compensation	2011 base salary	2011 bonus & incentive plan compensation	2011 stock option gains	2011 stock award gains	2011 other	2011 accumulated pension benefits	2011 deferred compensation balance
<b>Ford</b>										
Lewis Booth† (63)	EVP & CFO	\$6,669,506	\$8,291,148	\$1,250,000	\$1,400,000	\$65,766	\$3,862,892	\$90,848	\$12,929,900	\$494,558
Mark Fields (51)	EVP & President, the Americas	12,304,174	6,458,183	1,350,000	1,500,000	3,988,134	5,333,447	132,593	7,452,590	157,302
William Clay Ford Jr. (55)	Executive Chairman	47,397,258	14,411,545	2,000,000	1,560,000	0	42,361,200	1,476,058	13,171,617	50,830
<b>General Motors</b>										
Thomas Stephens† (63)	Vice Chairman & Global CTO	931,960	937,719	900,000	0	0	0	31,960	8,654,056	7,101,200
<b>Magna International</b>										
Frank Stronach (79)	Honorary Chairman	59,207,120	45,725,346	67,950	38,102,690	18,222,300	0	2,814,180	0	0
<b>Navistar International</b>										
Andrew Cederroth (46)	EVP & CFO	2,455,424	1,218,522	513,500	372,416	1,073,477	275,506	220,525	508,599	656,692

Note: Reflects 2011 executive titles and data †Former executive (or planning to leave)

Source: Equilar Inc., equilar.com

## REUSS

### Exec: Focus must be on the customer

continued from Page 1

The latest move builds on Reuss' unrelenting mantra of customer loyalty over the past two years, ever since he was given sales responsibility for North America.

Reuss wants GM employees to look beyond the narrow scope of their job descriptions and keep their ultimate focus on the customer. In the past, divisional barriers meant that even if employees in one area were hitting their targets it often did not translate into success for GM.

"Everybody had their own metrics, which somehow were all green," or positive, Reuss says of the old GM. "But, weirdly, when we added it up, it was pretty red."

For 2012, salaried workers in North America will get a year-end

bonus if GM hits an internal customer-retention goal. The company uses both third-party sales data and internal numbers to set a loyalty target, a spokesman says.

The customer-retention piece is now part of a broader compensation system GM implemented in 2011 that pays salaried workers a bonus for hitting a companywide target for vehicle quality. Reuss added the customer component for 2012. Employees were notified of the change last month.

The spokesman would not say how much money GM is offering for hitting the targets.

To drive home the point that customer-loyalty efforts transcend the dealership, Reuss last month added vehicle-quality duties to the responsibilities of his customer-experience czar, Alicia Boler-Davis. That gives the

one-time plant manager oversight of both the quality of GM's vehicles rolling off the assembly line and the level of customer satisfaction at its dealerships.

#### Departure from the past

Since Reuss began his customer-retention drive, Chevrolet dealers have been asked to focus on seven key areas, including product knowledge and sales-to-service hand-offs. They have been asked to visit Walt Disney Co. resorts for tips on how to treat customers. Cadillac dealers have been immersed in the ways of the Ritz-Carlton luxury hotel brand.

But it is inside GM's 650-person field sales division that the customer-centric pay structure probably reflects the most striking departure from GM's past. For many years, zone managers and

sales reps were expected to move the metal at any cost. Twisting dealers' arms to take cars they didn't want was routine.

Today, many dealers say they rarely are pressured to take cars. That's partly a byproduct of GM's restructuring: The 2009 bankruptcy and new UAW contracts pared production capacity and eliminated suffocating legacy costs such as the Jobs Bank, which paid workers whether they were building vehicles or sitting idle in union halls. So GM no longer has an incentive to produce more cars than demand requires simply to keep cash coming in.

#### 'GM values'

But Reuss wants more from his sales force. He expects sales managers and reps to partner with GM dealerships to achieve his goal of making GM's brands No. 1 in customer service within two years.

From his office desk on the 38th floor of GM's Renaissance Center

headquarters, Reuss plucks a freshly printed PowerPoint document, dated May 30, that amounts to a road map for changing the culture inside his sales operation. It's filled with "GM values" such as employee engagement and "customer zealotry."

For field personnel: "Your No. 1 job is no longer getting allocation and take-up on cars. We don't do any of that anymore," Reuss says. "You're going to be a trusted adviser to these dealers."

Duane Paddock, owner of Paddock Chevrolet near Buffalo, says he has already seen a change in his relationship with GM staffers. Last fall Paddock called in his GM field reps and managers for a meeting to help him improve customer loyalty. That resulted in Paddock's opening a new call center to handle service calls.

Five years ago, Paddock says, "if I were to call my zone manager, all he'd try to do is sell me something I didn't need." **AN**

## SUBPRIME

### Dealer: We're selling to our old customers

continued from Page 3

fueled Chrysler's comeback because a renewed product lineup and sharper advertising have helped, too.

But Chrysler has traditionally relied on sales to customers with weak credit, and more of those customers now are qualifying for loans.

"A lot of it is just being able to sell to our old customers again, the folks who bought from us in 2007 and 2008" with subprime credit "and need a new vehicle," says David Kelleher, chairman of the Chrysler National Dealer Council

and the owner of David Dodge in suburban Philadelphia.

He also says many subprime consumers — most of whom were hurt by the recession — are recovering financially just as Chrysler is.

Edmunds.com says that through mid-May, almost 21 percent of Dodge sales reported by dealers were to consumers paying annual interest rates of 10 percent or higher on loans that now average a term of 71 months.

Edmunds considers 10 percent interest as the starting point for higher rate subprime loans. Lenders charge subprime customer higher rates to balance the higher risk of defaults.

For comparison, in the same period, 8 percent of all auto loans carried interest rates of 10 percent or higher, Edmunds says.

#### Subprime movers

Through mid-May, nameplates with the highest percentage of purchasers with loan rates of 10% or higher, which Edmunds considers subprime.

Mitsubishi Galant	43%
Suzuki SX4	41%
Dodge Avenger	39%
Kia Forte	37%
Dodge Caliber	36%
Nissan Sentra	26%
Chrysler 200	24%
Dodge Journey	21%
Nissan Versa	21%
Chevrolet Sonic	20%

Source: Edmunds.com

Through May, Chrysler Group's sales in the United States are up 33

#### Relying on subprime

Among the top 6 automakers in the U.S., Hyundai-Kia had the highest percentage of customers with credit scores below 680 in the first quarter of 2012.

Hyundai-Kia	31%
Chrysler Group	29%
GM	23%
Ford Motor	22%
Toyota Motor Sales U.S.A.	20%
American Honda	17%

Source: Experian Automotive

percent to 689,257 units, well ahead of the industry's 13 percent gain.

A Chrysler spokesman said the automaker would not comment on the lending data because the transactions take place between

the automaker's customers and their lenders.

Experian, which tracks auto lending, says subprime lending industry-wide has nearly returned to its pre-recession levels. (See box, Page 3.)

Automakers rely on subprime loans to varying degrees. American Honda's percentage of subprime loan originations in the first quarter was just over half of Hyundai-Kia's percentage, for example. Among the Detroit 3, Ford had the lowest percentage, Experian said.

Unlike many other automakers, Chrysler doesn't own a captive finance arm. Instead, it relies on financial partners such as Ally Financial, Chase Auto Finance and TD Auto Finance — Chrysler's top three consumer lenders, Experian says — to provide credit to consumers through its dealers. **AN**

## STORES

### Add points benefit dealership groups

continued from Page 3

advises automakers on dealership representation. That would be a notable turnabout from the steady declines of recent years.

The U.S. dealership count rose 1 percent in 2011, to 17,859 stores, according to the Automotive News Data Center. That's still a far cry from the days before the recession, when 21,461 U.S. dealerships were in operation at the beginning of 2008.

Frith called the potential two-year upswing a short-term correction.

"The economy has come back a little quicker than most of the manufacturers were anticipating," Frith said. "And so there's some sudden demand and some opportunity to cover some areas that they might not have good coverage on."

#### No blue sky

Add points are a boon for dealership groups because they don't have to pay blue sky, as they might with acquisitions. Some retailers — AutoNation, for example — are using existing vacant real estate to build the new stores.

"Add points are very desirable for us," AutoNation CEO Mike Jackson said. "They're typically in the markets we represent with the brand that we don't represent."

In addition to the recently awarded Mini, Chrysler and Jeep franchises, AutoNation received another luxury brand add point to be announced this summer, COO Michael Maroone said. AutoNation opened one Audi and two Mercedes add points in 2011.

While many add-point opportunities are in the luxury segment, Maroone doesn't expect a flood of new locations.

"You just never know," Maroone said. "The manufacturers, in the new rational model that we're all enjoying today, are not trying to overdealer. They're looking very opportunistically, where they don't have representation and where they're underperforming."

Domestic brands are backfilling in markets where representation once was strong. Having a historical presence means a high number of that brand's vehicles are typically on the road in such a market. Asbury's Monaghan said. "For someone like us to be able to get in there and do the parts-and-service business alone is quite attractive," he said.

Penske's new Nissan/Infiniti store is in a historic seven-story building

in downtown San Francisco, where the brands had been absent. The retailer's recent add points typically have been where there had been no representation or where population growth has triggered new demand, said Tony Pordon, Penske executive vice president of investor relations and corporate development.

Though Penske has other chances to gain add points in existing markets, Pordon doesn't expect a lot of growth.

"There are small opportunities that come about to get these open points," Pordon said. "But mostly the manufacturers are trying to grow their existing dealers."

That's the case with Hyundai. Though the brand added 15 franchises in 2011, Hyundai officials have said their focus is on increasing sales per dealership at existing outlets.

#### Big jump at Chrysler

Mini is a different case. Mini has been expanding its dealership network since the brand was launched in 2002 with 66 dealerships. It added seven locations in 2011 and three more so far this year, bringing the total to 113 stores. That number is expected to jump to 125 within two

years, Mini spokeswoman Nathalie Bauters wrote in an e-mail.

Chrysler group was the biggest mover in 2011, jumping by 135 franchises across its Chrysler, Dodge, Ram and Jeep brands. Fiat, which added 138 stores of its own last year, did not count toward the Chrysler increase.

Chrysler's recent expansion stems largely from consolidating brands under one roof, spokesman Ralph Kisiel said. That effort is pretty much done, and Chrysler's dealership count is likely to increase only slightly in 2012, he said. It is up by five stores so far in 2012, to 2,341.

A few open points remain in markets in which Chrysler wants to add dealerships to take the place of stores that went out of business during the recession, Kisiel said. For instance, two new stores in Dallas are starting construction now. Along with another Dallas-area dealership that opened last fall, they replace three stores that went out of business before Chrysler's bankruptcy.

Volkswagen, which has ambitious plans to more than double U.S. sales by 2018, has a two-phase strategy. In the near term, the company primarily aims to in-



**Maroone:** Looking for opportunities

crease sales at existing dealerships. But it will open new stores on a selective basis through 2015, North American CEO Jonathan Browning said.

Beyond that, to meet sales objectives, "You need to start adding points," Browning said. "The emphasis is on first and foremost getting the penetration and throughput of our existing network, then, at a later phase, actually expanding."

Kia also has a long-term outlook. The brand added 25 outlets in 2011 for a total of 755 stores.

"In a perfect world of a 15 million industry, we're probably a dealer network of about 800," said Tom Loveless, Kia Motors America vice president of sales.

Kia will expand strategically in markets in which it makes sense, Loveless said, but "generally speaking, we're trying to support the network we have today."

With many brands still overdealed, Urban Science's Frith said the overall U.S. dealership count likely will start to decrease again after this short-term lift.

Said Frith: "They need to be cautious and not get too enthusiastic so they swing the pendulum too far the other way." **AN**

Christina Rogers contributed to this report

**U.S. car and light-truck sales by make – May 2012 (Ranked by total sales)**

Make	Car 2012	Car 2011	2012 share	2011 share	Percent change	Truck 2012	Truck 2011	2012 share	2011 share	Percent change	Total 2012	Total 2011	2012 share	2011 share	Percent change
Ford division	76,208	70,677	11.0	12.6	8%	132,217	113,453	20.7	22.7	17%	208,425	184,130	15.6	17.3	13%
Chevrolet	84,516	88,041	12.1	15.7	-4	93,427	73,360	14.6	14.7	27	177,943	161,401	13.3	15.2	10
Toyota Division	101,983	49,749	14.7	8.9	105	73,480	41,637	11.5	8.3	77	175,463	91,386	13.1	8.6	92
Honda Division	69,929	45,439	10.0	8.1	54	49,482	36,334	7.7	7.3	36	119,411	81,773	8.9	7.7	46
Nissan Division	45,770	45,935	6.6	8.2	0	35,432	23,824	5.5	4.8	49	81,202	69,759	6.1	6.6	16
Hyundai division	54,664	47,439	7.9	8.4	15	12,355	11,775	1.9	2.4	5	67,019	59,214	5.0	5.6	13
Kia	35,311	29,236	5.1	5.2	21	16,460	18,976	2.6	3.8	-13	51,771	48,212	3.9	4.5	7
Dodge	23,574	20,809	3.4	3.7	13	22,219	19,391	3.5	3.9	15	45,793	40,200	3.4	3.8	14
Jeep	-	-	-	-	-	44,198	35,573	6.9	7.1	24	44,198	35,573	3.3	3.4	24
GMC	-	-	-	-	-	38,877	32,589	6.1	6.5	19	38,877	32,589	2.9	3.1	19
Volkswagen division	34,632	25,001	5.0	4.5	39	4,025	5,099	0.6	1.0	-21	38,657	30,100	2.9	2.8	28
Subaru	29,559	19,852	4.2	3.5	49	165	184	0.0	0.0	-10	29,724	20,036	2.2	1.9	48
Chrysler Division	19,351	9,735	2.8	1.7	99	10,323	6,629	1.6	1.3	56	29,674	16,364	2.2	1.5	81
Ram	-	-	-	-	-	26,373	21,467	4.1	4.3	23	26,373	21,467	2.0	2.0	23
Mercedes-Benz	15,243	11,876	2.2	2.1	28	9,313	8,429	1.5	1.7	11	24,556	20,305	1.8	1.9	21
BMW division	15,229	15,047	2.2	2.7	1	6,939	5,604	1.1	1.1	24	22,168	20,651	1.7	1.9	7
Lexus	9,621	5,681	1.4	1.0	69	11,842	6,624	1.9	1.3	79	21,463	12,305	1.6	1.2	74
Mazda	12,290	12,296	1.8	2.2	0	8,067	5,579	1.3	1.1	45	20,357	17,875	1.5	1.7	14
Buick	11,856	11,256	1.7	2.0	5	6,709	4,323	1.1	0.9	55	18,565	15,579	1.4	1.5	19
Acura	6,360	4,006	0.9	0.7	59	8,226	4,994	1.3	1.0	65	14,586	9,000	1.1	0.8	62
Audi	8,252	7,390	1.2	1.3	12	3,251	3,067	0.5	0.6	6	11,503	10,457	0.9	1.0	10
Infiniti	6,061	4,572	0.9	0.8	33	4,531	1,817	0.7	0.4	149	10,592	6,389	0.8	0.6	66
Cadillac	4,249	5,927	0.6	1.1	-28	5,622	5,696	0.9	1.1	-1	9,871	11,623	0.7	1.1	-15
Lincoln	3,680	4,654	0.5	0.8	-21	3,594	2,745	0.6	0.5	31	7,274	7,399	0.5	0.7	-2
Volvo	3,675	5,088	0.5	0.9	-28	2,571	2,271	0.4	0.5	13	6,246	7,359	0.5	0.7	-15
Mini	4,377	4,091	0.6	0.7	7	1,776	1,710	0.3	0.3	4	6,153	5,801	0.5	0.5	6
Scion	6,047	4,696	0.9	0.8	29	-	-	-	-	-	6,047	4,696	0.5	0.4	29
Mitsubishi	3,539	5,066	0.5	0.9	-30	2,036	2,502	0.3	0.5	-19	5,575	7,568	0.4	0.7	-26
Fiat	4,003	1,759	0.6	0.3	128	-	-	-	-	-	4,003	1,759	0.3	0.2	128
Land Rover	-	-	-	-	-	3,438	2,891	0.5	0.6	19	3,438	2,891	0.3	0.3	19
Porsche	1,678	1,559	0.2	0.3	8	1,174	1,258	0.2	0.3	-7	2,852	2,817	0.2	0.3	1
Suzuki	1,700	1,734	0.2	0.3	-2	660	556	0.1	0.1	19	2,360	2,290	0.2	0.2	3
Jaguar	1,075	1,271	0.2	0.2	-15	-	-	-	-	-	1,075	1,271	0.1	0.1	-15
Smart	703	492	0.1	0.1	43	-	-	-	-	-	703	492	0.1	0.0	43
Maserati	226	206	0.0	0.0	10	-	-	-	-	-	226	206	0.0	0.0	10
Bentley	201	226	0.0	0.0	-11	-	-	-	-	-	201	226	0.0	0.0	-11
Rolls-Royce*	32	30	0.0	0.0	7	-	-	-	-	-	32	30	0.0	0.0	7
Maybach*	4	3	0.0	0.0	33	-	-	-	-	-	4	3	0.0	0.0	33
Saab	-	383	-	0.1	-	-	-	-	-	-	-	383	-	0.0	-
Other**	262	256	0.0	0.0	2	-	-	-	-	-	262	256	0.0	0.0	2
<b>TOTAL</b>	<b>695,860</b>	<b>561,478</b>	<b>100.0</b>	<b>100.0</b>	<b>24%</b>	<b>638,782</b>	<b>500,357</b>	<b>100.0</b>	<b>100.0</b>	<b>28%</b>	<b>1,334,642</b>	<b>1,061,835</b>	<b>100.0</b>	<b>100.0</b>	<b>26%</b>
<b>Made in North America</b>	<b>513,938</b>	<b>394,419</b>	<b>73.9</b>	<b>70.2</b>	<b>30</b>	<b>553,477</b>	<b>436,060</b>	<b>86.6</b>	<b>87.1</b>	<b>27</b>	<b>1,067,415</b>	<b>830,479</b>	<b>80.0</b>	<b>78.2</b>	<b>29</b>
<b>Made in Japan</b>	<b>87,401</b>	<b>68,092</b>	<b>12.6</b>	<b>12.1</b>	<b>28</b>	<b>52,928</b>	<b>32,380</b>	<b>8.3</b>	<b>6.5</b>	<b>64</b>	<b>140,329</b>	<b>100,472</b>	<b>10.5</b>	<b>9.5</b>	<b>40</b>
<b>Made in Europe</b>	<b>57,234</b>	<b>60,491</b>	<b>8.2</b>	<b>10.8</b>	<b>-5</b>	<b>21,523</b>	<b>19,773</b>	<b>3.4</b>	<b>4.0</b>	<b>9</b>	<b>78,757</b>	<b>80,264</b>	<b>5.9</b>	<b>7.6</b>	<b>-2</b>
<b>Made in Korea</b>	<b>36,974</b>	<b>38,453</b>	<b>5.3</b>	<b>6.8</b>	<b>-4</b>	<b>10,854</b>	<b>12,144</b>	<b>1.7</b>	<b>2.4</b>	<b>-11</b>	<b>47,828</b>	<b>50,597</b>	<b>3.6</b>	<b>4.8</b>	<b>-6</b>
<b>Made in Australia</b>	<b>313</b>	<b>23</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>313</b>	<b>23</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
<b>Total Detroit 3†</b>	<b>223,434</b>	<b>211,099</b>	<b>32.1</b>	<b>37.6</b>	<b>6</b>	<b>383,559</b>	<b>315,226</b>	<b>60.0</b>	<b>63.0</b>	<b>22</b>	<b>606,993</b>	<b>526,325</b>	<b>45.5</b>	<b>49.6</b>	<b>15</b>
<b>Total Japan 2</b>	<b>292,859</b>	<b>199,026</b>	<b>42.1</b>	<b>35.4</b>	<b>47</b>	<b>193,921</b>	<b>124,051</b>	<b>30.4</b>	<b>24.8</b>	<b>56</b>	<b>486,780</b>	<b>323,077</b>	<b>36.5</b>	<b>30.4</b>	<b>51</b>
<b>Total Europe 3</b>	<b>89,592</b>	<b>74,678</b>	<b>12.9</b>	<b>13.3</b>	<b>20</b>	<b>32,487</b>	<b>30,329</b>	<b>5.1</b>	<b>6.1</b>	<b>7</b>	<b>122,079</b>	<b>105,007</b>	<b>9.1</b>	<b>9.9</b>	<b>16</b>
<b>Total Korea 4</b>	<b>89,975</b>	<b>76,675</b>	<b>12.9</b>	<b>13.7</b>	<b>17</b>	<b>28,815</b>	<b>30,751</b>	<b>4.5</b>	<b>6.1</b>	<b>-6</b>	<b>118,790</b>	<b>107,426</b>	<b>8.9</b>	<b>10.1</b>	<b>11</b>
General Motors	100,621	105,224	14.5	18.7	-4	144,635	115,968	22.6	23.2	25	245,256	221,192	18.4	20.8	11
Ford Motor Co.	79,888	75,331	11.5	13.4	6	135,811	116,198	21.3	23.2	17	215,699	191,529	16.2	18.0	13
Toyota Motor Sales	117,651	60,126	16.9	10.7	96	85,322	48,261	13.4	9.6	77	202,973	108,387	15.2	10.2	87
Chrysler Group†	46,928	32,303	6.7	5.8	45	103,113	83,060	16.1	16.6	24	150,041	115,363	11.2	10.9	30
American Honda Motor Co.	76,289	49,445	11.0	8.8	54	57,708	41,328	9.0	8.3	40	133,997	90,773	10.0	8.5	48
Hyundai-Kia Automotive	89,975	76,675	12.9	13.7	17	28,815	30,751	4.5	6.1	-6	118,790	107,426	8.9	10.1	11
Nissan N.A.	51,831	50,507	7.4	9.0	3	39,963	25,641	6.3	5.1	56	91,794	76,148	6.9	7.2	21
VW Group of America	43,085	32,617	6.2	5.8	32	7,276	8,166	1.1	1.6	-11	50,361	40,783	3.8	3.8	24
BMW Group	19,638	19,168	2.8	3.4	3	8,715	7,314	1.4	1.5	19	28,353	26,482	2.1	2.5	7
Daimler AG	15,950	12,371	2.3	2.2	29	9,313	8,429	1.5	1.7	11	25,263	20,800	1.9	2.0	22
Jaguar Land Rover N.A.	1,075	1,271	0.2	0.2	-15	3,438	2,891	0.5	0.6	19	4,513	4,162	0.3	0.4	8

**U.S. car and light-truck sales by make – 5 months 2012 (Ranked by total sales)**

Make	Car 2012	Car 2011	2012 share	2011 share	Percent change	Truck 2012	Truck 2011	2012 share	2011 share	Percent change	Total 2012	Total 2011	2012 share	2011 share	Percent change
Ford division	319,980	306,236	10.0	11.0	5%	578,781	535,195	20.8	21.4	8%	898,761	841,431	15.0	15.9	7%
Chevrolet	375,711	385,257	11.7	13.9	-3	405,853	362,443	14.6	14.5	12	781,564	747,700	13.1	14.2	5%
Toyota Division	462,519	342,272	14.5	12.3	35	290,950	259,177	10.4	10.4	12	753,469	601,449	12.6	11.4	25
Honda Division	293,723	276,815	9.2	10.0	6	224,885	194,763	8.1	7.8	16	518,608	471,578	8.7	8.9	10
Nissan Division	269,953	249,855	8.4	9.0	8	171,590	142,191	6.2	5.7	21	441,543	392,046	7.4	7.4	13
Hyundai division	242,405	214,434	7.6	7.7	13	50,451	49,154	1.8	2.0	3	292,856	263,588	4.9	5.0	11
Kia	165,268	118,002	5.2	4.2	40	72,113	82,057	2.6	3.3	-12	237,381	200,059	4.0	3.8	19
Dodge	108,138	89,957	3.4	3.2	20	109,125	96,540	3.9	3.9	13	217,263	186,497	3.6	3.5	17

U.S. light-vehicle sales by nameplate, May & 5 months 2012

Vehicles are domestic unless noted.

continued on next page

	May 2012	May 2011	5 mos. 2012	5 mos. 2011		May 2012	May 2011	5 mos. 2012	5 mos. 2011		May 2012	May 2011	5 mos. 2012	5 mos. 2011
<b>ASTON MARTIN car (I)*</b>	<b>68</b>	<b>67</b>	<b>340</b>	<b>335</b>	LaCrosse	5,663	4,774	23,686	23,362	Borrego (I)	-	37	-	336
1 series (I)	628	414	3,463	3,994	Lucerne	34	2,235	922	12,916	Rondo (I)	-	-	-	44
3 series (I)	6,321	8,117	40,022	34,707	Regal (D)	2,550	-	12,502	-	Sedona (I)	1,916	2,453	8,783	8,920
5 series (I)	6,102	4,201	22,377	20,922	Regal (I)	-	4,247	-	18,455	Sorento	11,077	11,936	46,698	51,765
6 series (I)	725	279	2,935	800	Total Regal	2,550	4,247	12,502	18,455	Sportage (I)	3,467	4,550	16,632	20,992
7 series (I)	1,169	1,386	5,065	4,908	Verano	3,609	-	11,578	-	<b>Total Kia truck</b>	<b>16,460</b>	<b>18,976</b>	<b>72,113</b>	<b>82,057</b>
Z4 (I)	284	650	1,172	1,533	<b>Total Buick car</b>	<b>11,856</b>	<b>11,256</b>	<b>48,688</b>	<b>54,733</b>	Kia (D)	24,441	11,936	106,463	51,765
<b>Total BMW division car (I)</b>	<b>15,229</b>	<b>15,047</b>	<b>75,034</b>	<b>66,864</b>	Buick Enclave truck	6,709	4,323	22,659	23,998	Kia (I)	27,330	36,276	130,918	148,294
X3	2,460	2,350	11,592	10,337	Buick (D)	18,565	11,332	71,347	60,276	Total Kia	51,771	48,212	237,381	200,059
X5	3,730	2,684	15,966	12,738	Buick (I)	-	4,247	-	18,455	Total Hyundai-Kia car	89,975	76,675	407,673	332,436
X6	749	570	2,187	2,129	<b>Total Buick</b>	<b>18,565</b>	<b>15,579</b>	<b>71,347</b>	<b>78,731</b>	Total Hyundai-Kia truck	28,815	30,751	122,564	131,211
<b>Total BMW division truck</b>	<b>6,939</b>	<b>5,604</b>	<b>29,745</b>	<b>25,204</b>	CTS	4,161	4,288	20,437	22,807	Hyundai-Kia (D)	70,967	61,367	310,795	258,278
BMW division (D)	6,939	5,604	29,745	25,204	DTS	75	1,496	350	7,859	Hyundai-Kia (I)	47,823	46,059	219,442	205,369
BMW division (I)	15,229	15,047	75,034	66,864	STS	13	142	120	2,382	<b>HYUNDAI-KIA</b>	<b>118,790</b>	<b>107,426</b>	<b>530,237</b>	<b>463,647</b>
<b>Total BMW division</b>	<b>22,168</b>	<b>20,651</b>	<b>104,779</b>	<b>92,068</b>	XLR	-	1	-	3	XF (I)	475	521	2,484	1,930
Mini Cooper S car (I)	4,377	4,091	18,623	17,868	<b>Total Cadillac car</b>	<b>4,249</b>	<b>5,927</b>	<b>20,907</b>	<b>33,051</b>	XJ (I)	494	559	2,219	2,392
Mini Countryman truck (I)	1,776	1,710	7,441	6,720	Escalade	916	1,024	4,830	5,988	XK (I)	106	191	773	699
Total Mini	6,153	5,801	26,064	24,588	Escalade ESV	669	612	3,089	3,220	<b>Total Jaguar car (I)</b>	<b>1,075</b>	<b>1,271</b>	<b>5,476</b>	<b>5,021</b>
Rolls-Royce car (I)*	32	30	160	150	Escalade EXT	137	150	672	754	Evoque (I)	706	-	3,692	-
<b>Total BMW Group car</b>	<b>19,638</b>	<b>19,168</b>	<b>93,817</b>	<b>84,882</b>	SRX	3,900	3,910	21,190	22,249	LR2 (I)	218	192	1,224	978
<b>Total BMW Group truck</b>	<b>6,939</b>	<b>5,604</b>	<b>29,745</b>	<b>25,204</b>	<b>Total Cadillac truck</b>	<b>5,622</b>	<b>5,696</b>	<b>29,781</b>	<b>32,211</b>	LR4 (I)	602	683	3,075	3,313
BMW Group (D)	6,939	5,604	29,745	25,204	<b>Total Cadillac</b>	<b>9,871</b>	<b>11,623</b>	<b>50,688</b>	<b>65,262</b>	Range Rover (I)	715	803	3,426	4,113
BMW Group (I)	21,414	20,878	101,258	91,602	Aveo (I)	5	4,538	53	17,397	Range Rover Sport (I)	1,197	1,213	5,972	5,736
<b>BMW GROUP</b>	<b>28,353</b>	<b>26,482</b>	<b>131,003</b>	<b>116,806</b>	Camaro	9,023	9,451	40,574	40,275	<b>Total Land Rover truck (I)</b>	<b>3,438</b>	<b>2,891</b>	<b>17,389</b>	<b>14,140</b>
200	13,250	7,098	58,231	25,252	Caprice (I)	313	23	855	23	<b>JAGUAR LAND ROVER N.A.</b>	<b>4,513</b>	<b>4,162</b>	<b>22,865</b>	<b>19,161</b>
300	6,101	2,539	33,830	11,181	Cobalt	-	29	4	708	<b>LAMBORGHINI car (I)*</b>	<b>29</b>	<b>28</b>	<b>145</b>	<b>140</b>
PT Cruiser	-	45	-	1,328	Corvette	1,219	1,304	5,547	5,597	<b>LOTUS car (I)*</b>	<b>20</b>	<b>19</b>	<b>100</b>	<b>98</b>
Sebring	-	53	-	2,380	Cruze	19,613	22,711	94,901	98,076	<b>MASERATI car (I)</b>	<b>226</b>	<b>206</b>	<b>1,060</b>	<b>905</b>
<b>Total Chrysler Division car</b>	<b>19,351</b>	<b>9,735</b>	<b>92,061</b>	<b>40,141</b>	HHR	-	7,197	9	34,632	Mazda2 (I)	901	1,142	9,213	6,359
Town & Country	10,323	6,629	48,830	39,398	Impala	15,879	16,707	81,221	87,319	Mazda3 (I)	8,474	8,789	50,692	42,932
<b>Total Chrysler Division truck</b>	<b>10,323</b>	<b>6,629</b>	<b>48,830</b>	<b>39,398</b>	Malibu	29,579	25,600	110,035	99,046	Mazda6	2,294	1,639	23,959	13,604
<b>Total Chrysler Division</b>	<b>29,674</b>	<b>16,364</b>	<b>140,891</b>	<b>79,539</b>	Sonic	7,205	-	35,455	-	MX-5 Miata (I)	621	603	2,767	2,578
Avenger	10,682	5,543	43,458	24,868	Volt	1,680	481	7,057	2,184	<b>Total Mazda car</b>	<b>12,290</b>	<b>12,296</b>	<b>86,710</b>	<b>65,887</b>
Caliber	1,341	4,002	7,987	17,576	<b>Total Chevrolet car</b>	<b>84,516</b>	<b>88,401</b>	<b>375,711</b>	<b>385,257</b>	CX-5 (I)	3,973	3,923	11,480	-
Challenger	4,816	3,418	19,442	16,777	Avalanche	2,113	1,246	9,283	7,051	CX-7 (I)	1,320	1,961	9,987	12,955
Charger	6,735	7,830	37,231	30,626	Captiva Sport	3,697	-	14,410	-	CX-9 (I)	1,724	1,795	9,277	13,110
Viper	-	16	20	110	Colorado	3,778	2,944	17,333	13,104	Mazda5 (I)	1,049	1,628	5,932	10,122
<b>Total Dodge car</b>	<b>23,574</b>	<b>20,809</b>	<b>108,138</b>	<b>89,957</b>	Equinox	20,238	17,587	90,097	77,884	Tribute	1	195	500	998
Grand Caravan	12,418	9,427	58,063	46,148	Express/G van	7,447	6,128	29,713	27,158	<b>Total Mazda truck</b>	<b>8,067</b>	<b>5,579</b>	<b>37,176</b>	<b>37,185</b>
Durango	3,848	4,358	18,151	17,744	Silverado	34,555	28,409	160,942	150,206	Mazda (D)	2,295	1,834	24,459	14,602
Journey	5,789	3,706	29,855	22,484	Suburban	4,577	3,954	17,932	15,252	Mazda (I)	18,062	16,041	99,427	88,470
Nitro	164	1,900	3,056	10,164	Tahoe	7,169	5,886	26,847	28,537	<b>MAZDA</b>	<b>20,357</b>	<b>17,875</b>	<b>123,886</b>	<b>103,072</b>
<b>Total Dodge truck</b>	<b>22,219</b>	<b>19,391</b>	<b>109,125</b>	<b>96,540</b>	TrailBlazer	-	-	-	11	Eclipse	100	282	467	1,031
<b>Total Dodge</b>	<b>45,793</b>	<b>40,200</b>	<b>217,263</b>	<b>186,497</b>	Traverse	9,853	7,206	39,296	43,240	Eclipse Spyder	54	1,189	291	2,565
Cargo van	307	-	2,302	-	<b>Total Chevrolet truck</b>	<b>93,427</b>	<b>73,360</b>	<b>405,853</b>	<b>362,443</b>	Galant	1,895	1,443	9,092	9,598
Dakota	26	1,350	441	7,015	Chevrolet (D)	177,625	156,840	780,656	730,280	i (I)	85	-	300	-
Ram	26,040	20,117	114,630	90,536	Chevrolet (I)	318	4,561	908	17,420	Lancer (I)	1,405	2,152	6,966	8,481
<b>Total Ram truck</b>	<b>26,373</b>	<b>21,467</b>	<b>117,373</b>	<b>97,551</b>	<b>Total Chevrolet</b>	<b>177,943</b>	<b>161,401</b>	<b>781,564</b>	<b>747,700</b>	<b>Total Mitsubishi car</b>	<b>3,539</b>	<b>5,066</b>	<b>17,116</b>	<b>21,675</b>
<b>Total Dodge/Ram</b>	<b>72,166</b>	<b>61,667</b>	<b>334,636</b>	<b>284,048</b>	Acadia	9,128	6,926	32,364	33,526	Endeavor	62	214	377	3,614
Fiat 500 car	4,003	1,759	16,702	3,141	Canyon	910	566	4,761	3,409	Outlander (I)	708	896	3,380	3,977
Commander	-	8	-	104	Envoy	-	-	-	1	Outlander Sport (I)	1,266	1,392	6,589	6,550
Compass	3,720	4,555	16,443	15,998	Savana/G van	2,571	2,826	9,951	8,301	<b>Total Mitsubishi truck</b>	<b>2,036</b>	<b>2,502</b>	<b>10,346</b>	<b>14,141</b>
Grand Cherokee	13,274	9,484	62,611	45,401	Sierra	13,196	10,753	60,466	55,221	Mitsubishi (D)	2,111	3,128	10,227	16,808
Liberty	6,859	6,048	34,447	26,048	Terrain	8,772	7,310	38,807	34,375	Mitsubishi (I)	3,464	4,440	17,235	19,008
Patriot	5,891	5,470	27,117	23,313	Yukon	2,504	2,663	10,383	12,164	<b>MITSUBISHI</b>	<b>5,575</b>	<b>7,568</b>	<b>27,462</b>	<b>35,816</b>
Wrangler	14,454	10,008	56,410	41,946	Yukon XL	1,796	1,545	6,632	7,585	G (I)	5,195	3,851	23,473	24,531
<b>Total Jeep truck</b>	<b>44,198</b>	<b>35,573</b>	<b>197,028</b>	<b>152,810</b>	<b>Total GMC truck</b>	<b>38,877</b>	<b>32,589</b>	<b>163,364</b>	<b>154,582</b>	M (I)	866	721	4,126	4,822
<b>Total Chrysler Group car</b>	<b>46,928</b>	<b>32,303</b>	<b>216,901</b>	<b>133,239</b>	<b>Total General Motors car</b>	<b>100,621</b>	<b>105,224</b>	<b>445,306</b>	<b>473,041</b>	<b>Total Infiniti car (I)</b>	<b>6,061</b>	<b>4,572</b>	<b>27,599</b>	<b>29,353</b>
<b>Total Chrysler Group truck</b>	<b>103,113</b>	<b>83,060</b>	<b>472,356</b>	<b>386,299</b>	<b>Total General Motors truck</b>	<b>144,635</b>	<b>115,968</b>	<b>621,657</b>	<b>573,234</b>	EX (I)	298	441	1,534	2,472
<b>CHRYSLER GROUP†</b>	<b>150,041</b>	<b>115,363</b>	<b>689,257</b>	<b>519,538</b>	<b>General Motors (D)</b>	<b>244,938</b>	<b>212,384</b>	<b>1,066,055</b>	<b>1,010,400</b>	FX (I)	561	597	4,086	4,367
Maybach car (I)*	4	3	20	15	<b>General Motors (I)</b>	<b>318</b>	<b>8,808</b>	<b>908</b>	<b>35,875</b>	JX	2,678	-	5,297	-
B class (I)	-	7	-	2	<b>GENERAL MOTORS</b>	<b>245,256</b>	<b>221,192</b>	<b>1,066,963</b>	<b>1,046,275</b>	QX56 (I)	994	779	5,425	4,794
C class (I)	6,649	4,936	31,180	25,361	ILX	168	-	168	-	<b>Total Infiniti truck</b>	<b>4,531</b>	<b>1,817</b>	<b>16,342</b>	<b>11,633</b>
CL (I)	56	68	329	455	RL (I)	50	58	182	766	Infiniti (D)	2,678	-	5,297	-
CLS (I)	743	38	3,147	590	TL	3,262	2,197	14,676	13,118	Infiniti (I)	7,914	6,389	38,644	40,986
E class (I)	5,576	5,751	24,777	26,162	TSX (I)	2,880	1,751	15,012	12,401	<b>Total Infiniti</b>	<b>10,592</b>	<b>6,389</b>	<b>43,941</b>	<b>40,986</b>
S class (I)	1,022	872	4,529	4,393	<b>Total Acura car</b>	<b>6,360</b>	<b>4,006</b>	<b>30,038</b>						

U.S. light-vehicle sales – continued

	May 2012	May 2011	5 mos. 2012	5 mos. 2011
CT (I)	1,549	454	8,059	3,528
ES (I)	2,937	2,400	14,485	14,438
GS (I)	1,996	306	9,050	1,794
HS (I)	21	220	612	1,198
IS (I)	2,656	1,715	11,622	11,384
LFA (I)	3	–	22	22
LS (I)	459	585	2,560	3,742
SC (I)	–	1	2	15
<b>Total Lexus car (I)</b>	<b>9,621</b>	<b>5,681</b>	<b>46,412</b>	<b>36,121</b>
GX (I)	808	635	4,080	5,078
LX (I)	387	142	2,242	1,341
RX (D)	8,881	4,965	28,549	26,364
RX (I)	1,766	882	6,827	8,333
Total RX	10,647	5,847	35,376	34,697
<b>Total Lexus truck</b>	<b>11,842</b>	<b>6,624</b>	<b>41,698</b>	<b>41,116</b>
<b>Lexus (D)</b>	<b>8,881</b>	<b>4,965</b>	<b>28,549</b>	<b>26,364</b>
<b>Lexus (I)</b>	<b>12,582</b>	<b>7,340</b>	<b>59,561</b>	<b>50,873</b>
<b>Total Lexus</b>	<b>21,463</b>	<b>12,305</b>	<b>88,110</b>	<b>77,237</b>
FR-S (I)	86	–	86	–
iQ (I)	897	–	4,382	–
tC (I)	2,190	2,664	9,431	10,832
xB (I)	1,855	1,178	8,337	7,752
xD (I)	1,019	854	4,485	4,581
<b>Total Scion car (I)</b>	<b>6,047</b>	<b>4,696</b>	<b>26,721</b>	<b>23,165</b>
Avalon	1,959	2,113	14,883	11,270
Camry (D)	39,559	18,714	181,714	125,218
Camry (I)	12	69	82	876
Total Camry	39,571	18,830	181,796	126,094
Corolla/Matrix (D)	30,929	11,504	114,848	83,957
Corolla (I)	918	5,481	10,231	33,918
Total Corolla/Matrix	31,847	16,985	125,079	117,875
Prius (I)	21,477	6,924	107,504	62,180
Venza	3,608	3,207	15,293	14,566
Yaris (I)	3,521	1,690	17,964	10,287
<b>Total Toyota Division car</b>	<b>101,983</b>	<b>49,749</b>	<b>462,519</b>	<b>342,272</b>
4Runner (I)	4,421	3,232	18,258	19,218
FJ Cruiser (I)	1,231	998	5,304	5,865
Highlander (D)	11,068	5,530	44,328	37,339
Highlander (I)	589	225	2,736	3,266
Total Highlander	11,657	5,755	47,065	40,605
Land Cruiser (I)	240	99	895	794
RAV4 (D)	14,681	7,437	60,969	51,590
RAV4 (I)	4,567	1,187	13,340	12,460
Total RAV4	19,248	8,624	74,309	64,050
Sequoia	1,043	913	5,156	4,970
Sienna	14,606	8,618	48,257	45,678
Tacoma	12,269	9,091	55,289	44,764
Tundra	8,765	4,307	36,418	33,233
<b>Total Toyota Division truck</b>	<b>73,480</b>	<b>41,637</b>	<b>290,950</b>	<b>259,177</b>
<b>Toyota Division (D)</b>	<b>138,487</b>	<b>71,481</b>	<b>577,155</b>	<b>452,585</b>
<b>Toyota Division (I)</b>	<b>36,976</b>	<b>19,905</b>	<b>176,314</b>	<b>148,864</b>
<b>Total Toyota Division</b>	<b>175,463</b>	<b>91,386</b>	<b>753,469</b>	<b>601,449</b>
<b>Total Toyota Motor Sales car</b>	<b>117,651</b>	<b>60,126</b>	<b>535,652</b>	<b>401,558</b>
<b>Total Toyota Motor Sales truck</b>	<b>85,322</b>	<b>48,261</b>	<b>332,648</b>	<b>300,293</b>
<b>Toyota Motor Sales (D)</b>	<b>147,368</b>	<b>76,446</b>	<b>605,704</b>	<b>478,949</b>
<b>Toyota Motor Sales (I)</b>	<b>55,605</b>	<b>31,941</b>	<b>262,596</b>	<b>222,902</b>
<b>TOYOTA MOTOR SALES</b>	<b>202,973</b>	<b>108,387</b>	<b>868,300</b>	<b>701,851</b>
A3 (I)	629	664	2,958	2,941
A4/S4 (I)	3,058	3,192	14,852	15,201
A5/S5 (I)	1,264	1,438	6,395	6,459
A6/S6 (I)	1,693	470	6,839	3,043
A7 (I)	792	812	3,597	1,220
A8/S8 (I)	528	495	1,951	2,368
R8 (I)	90	99	425	492
TT (I)	198	220	952	857
<b>Total Audi car (I)</b>	<b>8,252</b>	<b>7,390</b>	<b>37,969</b>	<b>32,581</b>
Q5 (I)	2,332	2,222	10,764	9,405
Q7 (I)	919	845	3,761	3,872
<b>Total Audi truck (I)</b>	<b>3,251</b>	<b>3,067</b>	<b>14,525</b>	<b>13,277</b>
<b>Total Audi (I)</b>	<b>11,503</b>	<b>10,457</b>	<b>52,494</b>	<b>45,858</b>
<b>Bentley car (I)</b>	<b>201</b>	<b>226</b>	<b>854</b>	<b>665</b>
CC (I)	1,607	3,979	6,898	13,185
Eos (I)	792	854	2,975	2,829
Jetta	15,175	16,671	69,599	74,647
Beetle	3,002	4	9,740	1,039
Passat (D)	10,178	–	44,813	–
Passat (I)	–	1	–	218
Total Passat	10,178	1	44,813	218
Rabbit/Golf/GTI/R32 (I)	3,878	3,492	16,790	14,456
<b>Total VW division car</b>	<b>34,632</b>	<b>25,001</b>	<b>150,815</b>	<b>106,374</b>
Routan	850	1,427	3,965	5,104
Tiguan (I)	2,475	3,091	12,055	11,563
Touareg (I)	700	581	3,720	2,640
<b>Total VW division truck</b>	<b>4,025</b>	<b>5,099</b>	<b>19,740</b>	<b>19,307</b>
<b>VW division (D)</b>	<b>29,205</b>	<b>18,102</b>	<b>128,117</b>	<b>80,790</b>
<b>VW division (I)</b>	<b>9,452</b>	<b>11,998</b>	<b>42,438</b>	<b>44,891</b>
<b>Total VW division</b>	<b>38,657</b>	<b>30,100</b>	<b>170,555</b>	<b>125,681</b>
<b>Total VW Group of America car</b>	<b>43,085</b>	<b>32,617</b>	<b>189,638</b>	<b>139,620</b>
<b>Total VW Group of America truck</b>	<b>7,276</b>	<b>8,166</b>	<b>34,265</b>	<b>32,584</b>
<b>VW Group of America (D)</b>	<b>29,205</b>	<b>18,102</b>	<b>128,117</b>	<b>80,790</b>
<b>VW Group of America (I)</b>	<b>21,156</b>	<b>22,681</b>	<b>95,786</b>	<b>91,414</b>
<b>VW GROUP OF AMERICA</b>	<b>50,361</b>	<b>40,783</b>	<b>223,903</b>	<b>172,204</b>
30 series (I)	233	316	1,091	1,299
40 series (I)	–	483	49	2,146
50 series (I)	–	122	–	434
60 series (I)	2,125	2,405	9,800	8,618
70 series (I)	952	1,075	4,185	4,489
80 series (I)	365	687	1,421	2,043
<b>Total Volvo car (I)</b>	<b>3,675</b>	<b>5,088</b>	<b>16,546</b>	<b>19,029</b>
XC60 (I)	1,751	1,386	6,885	6,125
XC90 (I)	820	885	4,080	4,049
<b>Total Volvo truck (I)</b>	<b>2,571</b>	<b>2,271</b>	<b>10,965</b>	<b>10,174</b>
<b>VOLVO CARS N.A.</b>	<b>6,246</b>	<b>7,359</b>	<b>27,511</b>	<b>29,203</b>
<b>Domestic car</b>	<b>513,938</b>	<b>394,419</b>	<b>2,323,973</b>	<b>1,947,194</b>
<b>Import car</b>	<b>181,922</b>	<b>167,059</b>	<b>875,111</b>	<b>831,214</b>
<b>Total U.S. car</b>	<b>695,860</b>	<b>561,478</b>	<b>3,199,084</b>	<b>2,778,408</b>
<b>Domestic light truck</b>	<b>553,477</b>	<b>436,060</b>	<b>2,388,323</b>	<b>2,135,765</b>
<b>Import light truck</b>	<b>85,305</b>	<b>64,297</b>	<b>399,191</b>	<b>365,704</b>
<b>Total U.S. light truck</b>	<b>638,782</b>	<b>500,357</b>	<b>2,787,514</b>	<b>2,501,469</b>
<b>Total domestic light vehicle</b>	<b>1,067,415</b>	<b>830,479</b>	<b>4,712,296</b>	<b>4,082,959</b>
<b>Total import light vehicle</b>	<b>267,227</b>	<b>231,356</b>	<b>1,274,302</b>	<b>1,196,918</b>
<b>TOTAL U.S. LIGHT VEHICLE</b>	<b>1,334,642</b>	<b>1,061,835</b>	<b>5,986,598</b>	<b>5,279,877</b>

\* Estimate  
† Fiat S.p.A. became the majority shareholder of Chrysler Group on July 21, 2011.  
Note: (D) = produced in North America; (I) = imported to U.S.

Source: Automotive News Data Center and company sources

# SALES

## Reuss: Industry is starting 'to equalize'

continued from Page 1

But three high-flyers in the past year suddenly looked mortal compared with the overall market. VW Group gained 24 percent; Nissan North America, 21 percent; and supply-constrained Hyundai-Kia Automotive, 11 percent. All three had dramatically outperformed the market for several months.

### The incentive issue

The rebound by Toyota and Honda brought the question of incentives to center stage.

When the March 2011 earthquake led to bare Toyota and Honda lots in May, competitors took it as a signal to throttle back on incentives.

Now all the Japanese are fully stocked. Toyota Motor Sales U.S.A. rose 87 percent from May 2011, and Toyota/Scion, up 89 percent, passed Chevrolet and was second only to Ford among brands.

American Honda, which struggled in April, was riding high in May. Sales were up 48 percent after a 2 percent decline the month before.

"Honda's return to strength is in full swing," said John Mendel, American Honda's top sales executive.

He said it was the best May for Honda/Acura since before Lehman Bros. collapsed in the fall of 2008, sparking a financial crisis. Honda Division reported sales of 119,411, a 46 percent increase as sales of the Civic surged 83 percent.

"The Civic, which received much media scrutiny when launched, had one of its best sales months in recent history," said Edmunds.com analyst Jessica Caldwell.

At Toyota Division, fleet sales have begun to decline as a percentage of total sales. It was 15 percent through April, then dropped to 13 percent in May. And it will go lower.

May was "the last month fulfilling our commitments to fleet customers," said Toyota Division chief Bob Carter. "During June, July and August, total fleet volumes will be below 8 percent, and we will be in single digits for the rest of the year."

He said Toyota intends to "stay aggressive" with marketing efforts in June, including 0 percent financing on many models. The Camry will have 2.9 percent financing and a \$219 monthly lease deal in much of the country.

### GM, Ford trail

General Motors and Ford Motor Co. underperformed the market in May.

At GM, sales were up 11 percent, to 245,256 units. Reuss said he won't strategize for the short term as GM prepares to introduce a slew of new models in the next 18 months.

"Anything we do now to chase market share because of an episodic re-entry into the market by the Japanese would destroy our brands and our positioning into the launches of our new products," he said. "And so that's what we're not going to do."

"If we want to go make market share and sell a lot of cars, we know how to do that," Reuss added. "Is it really good to destroy all that to

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### Share swings

The Big 7's share of light-vehicle sales in May

	SHARE	POINT CHANGE VS. MAY 2011
<b>GM</b>	18.4%	-2.4
<b>Ford Motor</b>	16.2%	-1.8
<b>Toyota Motor</b>	15.2%	5.0
<b>Chrysler Group</b>	11.2%	0.3
<b>Honda/Acura</b>	10.0%	1.5
<b>Hyundai/Kia</b>	8.9%	-1.2
<b>Nissan/Infiniti</b>	6.9%	-0.3

### Perspective

How the past 5 Mays rank for U.S. light-vehicle sales

1. 2008	1,397,277
2. 2012	1,334,642
3. 2010	1,103,043
4. 2011	1,061,835
5. 2009	925,986

Source: Automotive News Data Center and company sources

### Top 10 vehicles

5 months 2012

1. Ford F series	246,116
2. Toyota Camry	181,796
3. Chevrolet Silverado	160,942
4. Nissan Altima	135,289
5. Honda Civic	135,082
6. Honda Accord	126,254
7. Toyota Corolla/Matrix	125,079
8. Honda CR-V	123,400
9. Ram	114,630
10. Ford Fusion	112,416

Source: Automotive News Data Center and company sources

make some sort of monthly number? No. We're in it for the long haul. We know it's coming."

Ford sales were up 13 percent, to 215,699 units, just enough to stay ahead of Toyota in the No. 2 U.S. sales slot behind GM.

U.S. sales boss Ken Czubay said Ford began increasing production too late and expects to be capacity-constrained on cars despite a plan to add 400,000 units of capacity by year end by adding shifts at three plants.

"We have our plants running flat out," Czubay said. "On very high-demand products we could have sold more, but we're working on that."

Ford bumped fleet sales a bit to 35 percent of the total sales mix, from 34 percent a year earlier, and increased incentives about \$100 a unit in May, especially on old-generation 2012 Ford Escape SUVs now being replaced by redesigned 2013 models.

### Chrysler adds share

Chrysler Group was the only Detroit 3 automaker to add market share in May. Its 30 percent sales increase was the company's 26th consecutive monthly gain.

Fiat sales more than doubled, and the Chrysler brand rose 81 percent. Jeep was up 24 percent, and Ram was up 23 percent. Dodge, with the new Dart small car going on sale this month, increased 14 percent.

Sales boss Reid Bigland said Chrysler is "adding production capacity as quickly as possible to meet strong demand."

Nissan North America sales were

### Top 10 vehicles

May 2012

1. Ford F series	54,836
2. Toyota Camry	39,571
3. Chevrolet Silverado	34,555
4. Honda Civic	33,490
5. Toyota Corolla/Matrix	31,847
6. Honda Accord	29,737
7. Chevrolet Malibu	29,579
8. Ford Fusion	26,857
9. Ram	26,040
10. Honda CR-V	25,186

Source: Automotive News Data Center and company sources

### Winners and losers

May 2012

% change in sales from May 2011

#### Winners (among major brands)

1. Fiat	128%
2. Toyota Division	92%
3. Chrysler Division	81%
4. Lexus	74%
5. Infiniti	66%

#### Losers

1. Mitsubishi	-26%
2. Jaguar	-15%
2. Cadillac	-15%
2. Volvo	-15%
5. Lincoln	-2%

Source: Automotive News Data Center and company sources

### Winners and losers

5 months 2012

% change in sales from 5 mos. 2011

#### Winners (among major brands)

1. Fiat	432%
2. Chrysler Division	77%
3. Smart	68%
4. Volkswagen division	36%
5. Jeep	29%

#### Losers

1. Mitsubishi	-23%
2. Cadillac	-22%
3. Buick	-9%
4. Volvo	-6%
5. Suzuki	-4%

Source: Automotive News Data Center and company sources

up 21 percent in May. Nissan Division gained 16 percent, but Infiniti sales jumped 66 percent, by far the luxury brand's biggest gain since before the slump.

"It's clear that the recovery in the industry is continuing," said Jonathan Browning, CEO of VW Group of America. But he cautioned that the second half of the year could be more challenging than the first because of economic problems in Europe and new talk by Republicans about a congressional stalemate on the U.S. debt ceiling.

# GM vows to spend more on NFL TV spots

**Mike Colias**  
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DETROIT — General Motors will spend more, not less, on National Football League TV commercials despite a recent decision to drop Super Bowl advertising, GM's top global marketing executive said last week.

Joel Ewanick said that Chevrolet remains the largest advertiser on NFL games and that he expects to increase spending on the NFL.

He also said that Chevy's becoming a sponsor of British soccer team Manchester United (see story below) should not be seen as a sign that the brand is shifting its ad dollars away from the United

States as it seeks to grow internationally.

"We're not going to spend less on North America. We're going to spend more" to support a slate of vehicle launches planned in 2013, Ewanick said at a press conference announcing the soccer sponsorship.

Those launches include the Chevrolet Impala sedan and re-designed Chevrolet Silverado and GMC Sierra full-sized pickups. The pickups are expected to go on sale in the spring, followed by re-designed full-sized SUVs based on the pickups.

Ewanick acknowledged that the

Super Bowl would have been a good platform to plug the pickups but said the game has become too expensive.

Ewanick called the rate increases proposed by CBS for the 2013 game "significant" but declined to elaborate. Several media outlets have reported that the network is asking for increases of as much as 25 percent, which would push the price of a 30-second ad to \$4 million or more.

"We don't have unlimited resources," he said. "We have some pretty significant launches next year. We're going to need resources to launch those cars and trucks."

Commenting on his recent deci-

sion to drop the roughly \$10 million a year it spends on direct advertising on Facebook, Ewanick said GM spends \$30 million a year to create content that ends up on Facebook pages, and another \$10 million to advertise directly on the site, say through pop-up ads.

GM is cutting that direct paid advertising but will spend that money to create more free GM content for Facebook users, which he said is more effective.

Consumers say they find Facebook ads "a little bit distracting," he said. "We have to find better ways to have those ads that pop on there very relevant." **AN**

## GM targets world with Man U deal

DETROIT — General Motors is targeting soccer fans in China and around the world with a five-year sponsorship of England's Manchester United soccer club.

GM's global marketing chief, Joel Ewanick, called the investment in the sponsorship "significant" but wouldn't disclose financial terms.

Manchester United, the 19-time English league champion soccer team, has a worldwide reach that fits with the automaker's desire to make Chevrolet a global icon.

"As Chevrolet continues to grow as a global brand, this is the right time to make a commitment and establish a presence in international football," Ewanick said.

He said the sponsorship offers an exposure opportunity unmatched by any U.S. sports franchise. He said there are an estimated 3.5 billion soccer fans worldwide — half of the world's population — vs. about 400 million people who follow the National Football League. Manchester United sells more team jerseys than all 32 NFL teams combined, Ewanick said.

He said he expects the sponsorship to have the biggest impact in



**GM's Ewanick:** The sponsorship offers an exposure opportunity unmatched by any U.S. sports franchise.

China, where Manchester United has more fans than in Europe.

Under the deal, Chevrolet logos will appear on the team's bench and players' sideline chairs. The deal includes in-stadium advertising and player-endorsement opportunities, a GM spokesman said.

The Chevrolet logo won't appear on Manchester United's jerseys, though. That space is reserved for the team's main sponsor, insurance company Aon Corp.

Ewanick said U.S. and overseas Chevrolet dealers will be able to use the Manchester United logo with GM's permission.

Manchester United games are broadcast in 1.15 billion homes, 80 percent of the world's households with TVs, according to GM. In August, shipper DHL Worldwide Express paid Manchester United, also known as Man U, £40 million, or about \$61.9 million, for the right to put its logo on the team's training apparel for four years. **AN**

*Mike Colias, Bloomberg and Automotive News Europe contributed to this report*

## BUTLER Marketing to focus on vehicle attributes

continued from Page 4

it's at the front end of some massive change," Fallon says. "Don is directing that, from product planning and launch planning to paid advertising and social. He's really involved across the board in what we consider to be a relaunch" of the brand.

As a GM lifer except for a brief stint with telematics startup Inrix Inc., Butler has seen plenty of marketing plans built around vehicles that he admits "didn't really live up to what we promised in the advertising."

That's why Butler plans to banish the "smoke and mirrors" and instead pinpoint attributes that should convince would-be buyers that this isn't their father's Cadillac. For example, some ATS spots likely will boast that it's the lightest car among luxury compacts, which aids fuel economy and handling.

### 'Spirited challenger'

"We have to approach this as the spirited challenger. What is going to get people to notice, to pay attention to Cadillac?" Butler says. "In terms of the execution, it's going to be some pretty bold stuff."

That product focus is evident in commercials that have just started to run for the XTS, which Cadillac is positioning as a large luxury sedan packed with safety features and technology, features what Cadillac calls the car's industry-first "safety alert" seat, which vibrates to warn of a pending collision.

An ATS commercial that ran during the Super Bowl showed the car lapping the famous Nurburgring test course in Germany. The voiceover says it's "built from the ground up to take on the BMW 3 series."

Butler and Fallon promise to inject more emotion and more people in future spots. Expect the car to be featured in iconic settings around the world, an effort aimed at lending global cachet to a brand that is not quite global yet.

Butler, an engineer with a Harvard M.B.A., joined GM in 1981 as a co-op student. As an electrical engineer, he worked on the 1990 Corvette's cruise-control and antilock brake systems. Since then, he has had a circuitous route through the GM hierarchy.

He had the thankless task of leading marketing for the Pontiac Aztek,

## Don Butler

Vice president of marketing for Cadillac

**Age:** 48

**Education:** B.S., electrical engineering, General Motors Institute; M.B.A., Harvard University

**Career highlights:** GM co-op student, 1981; Pontiac marketing director, 2001; GM Egypt managing director, 2005; Chevrolet Truck marketing director, 2007; OnStar vice president, 2008; Inrix Inc. telematics startup senior vice president, 2010; Cadillac marketing vice president, 2010

the 2001 crossover that was universally panned as ugly. In 2005-07, he ran GM's operations in Egypt, with responsibility for everything from manufacturing to marketing. He also led business strategy for GM's OnStar telematics unit.

Growing up, Butler moved often because of his father's job as a training specialist in the Air Force; his mother was a junior high English teacher. Butler spent five years in Germany, until age 16.

### 'Sign me up'

In 1981, soon after his family moved to a town near St. Louis, Butler went on a recruiting trip to the former General Motors Institute in Flint, Mich., now Kettering University. During his visit to the Pontiac division, he was shown a prototype of the Fiero sports car, with its spaceframe construction and plastic body panels.

"I was 16 and thinking to myself, 'Are you kidding me? I can be a part of this business? Cool. Sign me up,'" Butler recalls.

Butler stops short of calling himself a car guy, but often draws on his engineering and product background. He regularly attends product planning and design reviews at GM's design center.

"He has an unusually solid knowledge of new product and an engaging way of presenting" vehicles, says Carl Sewell, co-chairman of Cadillac's National Dealer Council and owner of four Cadillac stores in Texas.

As if Butler isn't under enough pressure, Sewell adds: "There's so much anticipation for these two new vehicles. The expectations for the marketing are every bit as high as the expectations for the cars themselves." **AN**

## Customer Incentives

Incentives in this table are a summary of retail programs offered. Programs may vary by region and model.

	Cash rebate	Finance rate
<b>FORD MOTOR CO.</b> <i>Expires July 2. In lieu of rebates, cut-rate financing is available.</i>		
<b>2013 models</b>		
Ford Edge, Explorer, Flex, Mustang	\$500	1.9-7.9%
Lincoln MKS, MKT		0.9-4.9%
MKX		2.9-6.9%
<b>2012 models</b>		
Ford Expedition	\$2,500	0-1.9%
Mustang	\$1,000-\$2,500	0-1.9%
Super Duty F-250, Super Duty F-350, Super Duty F-450, Super Duty F-550	\$1,000-\$2,500	0.9-4.9%
F-150, Taurus	\$1,500-\$2,000	0-6.9%
Escape, Fusion	\$1,250	0-1.9%
Econoline*	\$1,000	2.9-6.9%
Edge, Focus	\$500-\$750	0-5.9%
Transit Connect (incl. wagon)	\$500	4.9-8.9%
Fiesta		1.9-5.9%
Lincoln Navigator	\$3,000	0-1.9%
MKS, MKZ	\$2,500	0-1.9%
MKX	\$1,000	0.9-4.9%
MKT	\$1,000	0-1.9%
<b>GENERAL MOTORS</b> <i>Expires July 2. In lieu of rebates, cut-rate financing is available.</i>		
<b>2013 models</b>		
Chevrolet Malibu		2.9-4.9%
<b>2012 models</b>		
Buick Enclave	\$1,500	0-3.9%
LaCrosse, Regal	\$1,000	1.9-4.9%
Verano		3.9-5.9%
Cadillac CTS*, Escalade, Escalade EXT, Escalade Hybrid, SRX		0.9-3.9%
Chevrolet Avalanche	\$5,000	0-1.9%
Impala	\$3,500	0%
Silverado 1500 Hybrid	\$3,000	0-1.9%
Malibu	\$3,000	0-3.9%
Silverado 1500 (excl. Hybrid)	\$2,000-\$3,000	0-1.9%
Silverado 2500HD, Silverado 3500HD	\$2,500	0-1.9%
Suburban, Tahoe	\$2,000	0-1.9%
Traverse	\$2,000	0-3.9%
Colorado	\$2,000	1.9-4.9%
Express (incl. cargo)	\$1,000	3.9-4.9%
Volt		0%
Corvette, Camaro		0-3.9%
Cruze, Equinox, Sonic		2.9-5.9%
GMC Sierra 1500 Hybrid	\$3,000	0-1.9%
Sierra 1500	\$2,000-\$3,000	0-1.9%
Sierra 2500HD, Sierra 3500HD	\$2,500	0-1.9%
Acadia, Yukon (incl. Hybrid), Yukon XL	\$2,000	0-3.9%
Canyon	\$1,000-\$2,000	1.9-4.9%
Savana (incl. cargo)	\$1,000	3.9-4.9%
Terrain		2.9-5.9%
<b>AMERICAN HONDA MOTOR CO.</b> <i>Expires July 9.</i>		
<b>2012 models</b>		
Acura MDX, RDX, RL, TL, TSX, ZDX		0.9%
Honda Accord*, Civic*, Crosstour, Odyssey, Pilot, Ridgeline		0.9-1.9%
<b>HYUNDAI-KIA AUTOMOTIVE</b> <i>Expires July 5. In lieu of rebates, cut-rate financing is available.</i>		
<b>2012 models</b>		
Kia Sedona	\$2,500	1.9-3.9%
Sorento, Forte*	\$1,000	1.9-3.9%
Optima, Rio, Soul		0.9-2.9%
Sportage		1.9-3.9%
<b>JAGUAR LAND ROVER</b> <i>Expires July 2.</i>		
<b>2012 models</b>		
Jaguar XF*, XJ*, XK*		0.9%
Land Rover LR2*		0.9%
LR4*, Range Rover*, Range Rover Evoque*, Range Rover Sport*		1.9%
<b>VW GROUP OF AMERICA</b> <i>Expires July 5.</i>		
<b>2012 models</b>		
Audi A8*, A8 L*, A4*, A5*, A6*, A7*, Q5*, S4*, S5*, TT*, TTS*		1.0-1.9%
A3*, Q7*		1.0-2.9%

\*Applies to select models only  
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**Scheduled plant overtime for the week ending June 9**

Company	Location	Vehicle Type
<b>Chrysler Group</b>	Brampton, Ontario	car
	Jefferson North (Detroit)	truck
	Saltillo, Mexico	truck
	Sterling Heights, Mich.	car
	Toledo (Ohio) Supplier Park	truck
	Toledo (Ohio) North	truck
	Toluca, Mexico	car/truck
	Warren, Mich.	truck
	Windsor, Ontario	truck
	<b>Ford Motor Co.</b>	Kansas City, Mo. (Truck)
Kentucky Truck (Louisville)		truck
Louisville Assembly		truck
Ohio Assembly (Avon Lake)		truck
Ontario Truck (Oakville)		truck
<b>General Motors</b>	Arlington, Texas	truck
	Ingersoll, Ontario (CAMI)	truck

Lansing (Mich.) Delta Township	truck	
Wentzville, Mo.	truck	
<b>Hyundai</b>	Montgomery, Ala.	car
	West Point, Ga.	truck
<b>Kia</b>	West Point, Ga.	truck
	Lafayette, Ind. (Subaru line only)	car/truck

**Plant closings**

Company	Location	Vehicle Type
<b>Ford Motor Co.</b>	Kansas City, Mo. (SUV)*	mid-2013



Production of the 2013 Cadillac XTS, above, began last month on General Motors' Oshawa Flex line in Ontario. The line also builds the Chevrolet Camaro and Buick Regal.

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**North America car and truck production**

Model	2012				2011				2010			
	5/28-6/2/12†	May est.†	1/1-6/2/12†	1/1-6/4/11	5/28-6/2/12†	May est.†	1/1-6/2/12†	1/1-6/4/11	5/28-6/2/12†	May est.†	1/1-6/2/12†	1/1-6/4/11
<b>Ford Mustang</b>	1,964	10,843	44,196	31,630	992	5,470	24,654	0	0	0	0	0
<b>Mazda Mazda6</b>	912	3,948	25,900	14,650	1,136	6,357	29,732	34,343	0	0	0	0
<b>AUTOALLIANCE</b>	<b>2,876</b>	<b>14,791</b>	<b>70,096</b>	<b>46,280</b>	<b>3,869</b>	<b>20,682</b>	<b>89,629</b>	<b>85,535</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
X3 (trk.)	2,528	13,821	65,193	47,986	930	5,126	24,718	31,330	0	0	0	0
X5 (trk.)	1,934	9,956	50,314	44,703	0	0	0	6,515	0	0	0	0
X6 (trk.)	855	4,405	20,592	19,265	0	0	0	1,907	0	0	0	0
<b>BMW MFG. CORP.‡</b>	<b>5,317</b>	<b>28,182</b>	<b>136,099</b>	<b>111,954</b>	<b>477</b>	<b>1,714</b>	<b>1,809</b>	<b>5,547</b>	<b>730</b>	<b>2,287</b>	<b>10,642</b>	<b>18,038</b>
200 sedan	2,283	12,606	53,219	45,054	248	1,388	6,395	7,871	553	3,078	9,725	0
200 convertible	323	1,785	7,138	6,785	158	885	3,560	3,023	220	1,291	11,531	10,388
300 (Can.)	2,298	10,064	41,906	21,439	0	73	845	1,165	3,980	25,097	132,112	117,530
Town & Country (Can. trk.)	2,768	12,143	50,014	45,666	1,853	8,995	39,653	34,319	3,168	14,473	69,145	3,345
<b>Total Chrysler Division</b>	<b>7,672</b>	<b>36,598</b>	<b>152,277</b>	<b>118,944</b>	<b>3,666</b>	<b>18,181</b>	<b>76,980</b>	<b>86,130</b>	<b>1,401</b>	<b>7,380</b>	<b>34,292</b>	<b>29,995</b>
Avenger	2,178	12,026	47,147	34,323	1,561	7,178	34,537	27,462	2,844	13,010	62,307	72,567
Caliber	0	0	0	24,523	3,163	13,517	48,256	49,583	168	760	12,481	19,008
Challenger (Can.)	1,098	4,810	21,417	17,139	0	0	0	19,671	215	979	15,231	31,026
Charger (Can.)	1,609	7,044	38,682	41,131	243	1,339	5,943	5,547	768	3,510	41,673	76,907
Dart	711	2,056	2,198	0	4,969	21,189	123,102	127,856	1,220	5,578	32,563	4,465
Durango (trk.)	865	4,789	20,075	36,795	0	0	0	29,460	262	1,383	9,304	9,101
Grand Caravan (Can. trk.)	4,192	18,395	84,474	72,857	3,918	16,742	83,295	92,477	1,398	7,756	36,230	21,881
Journey (Mex. trk.)	2,319	10,597	53,854	41,775	4,002	22,061	108,755	93,531	14	71	488	0
Nitro (trk.)	0	0	0	11,573	1,783	9,827	44,941	0	146	767	3,516	6,097
<b>Total Dodge</b>	<b>12,972</b>	<b>59,717</b>	<b>267,847</b>	<b>280,116</b>	<b>570</b>	<b>3,140</b>	<b>8,349</b>	<b>3,331</b>	<b>511</b>	<b>3,139</b>	<b>14,510</b>	<b>15,704</b>
Dakota (trk.)	0	0	0	11,052	0	551	8,002	10,531	2,050	10,315	44,694	31,250
Ram (trk.)	3,625	20,067	102,624	84,073	1,401	6,802	26,709	13,850	732	3,855	14,120	12,004
Ram (Mex. trk.)	3,247	14,839	73,116	62,133	757	4,236	20,306	17,393	597	3,306	10,937	10,083
Ram C/V (Can. trk.)	181	794	4,545	0	1,372	6,084	30,052	28,885	2,050	10,315	44,694	31,250
<b>Total Ram</b>	<b>7,053</b>	<b>35,700</b>	<b>180,285</b>	<b>157,258</b>	<b>3,836</b>	<b>17,006</b>	<b>82,790</b>	<b>76,356</b>	<b>21</b>	<b>111</b>	<b>542</b>	<b>827</b>
<b>Total Dodge/Ram</b>	<b>20,025</b>	<b>95,417</b>	<b>448,132</b>	<b>437,374</b>	<b>1,620</b>	<b>9,066</b>	<b>38,126</b>	<b>32,613</b>	<b>5,601</b>	<b>33,768</b>	<b>177,935</b>	<b>157,913</b>
Compass (trk.)	2,723	15,071	60,893	46,684	6,213	30,589	161,361	144,596	0	0	0	0
Grand Cherokee (trk.)	3,788	20,966	103,182	66,884	0	7,094	59,853	76,029	4,234	23,466	99,372	75,697
Liberty (trk.)	2,194	12,143	54,813	30,365	911	5,097	25,637	23,221	2,050	10,315	44,694	31,250
Patriot (trk.)	2,049	11,342	55,148	38,982	1,954	10,931	51,693	42,802	2,050	10,315	44,694	31,250
Wrangler (trk.)	1,228	6,798	33,114	36,297	1,670	9,345	41,866	54,237	608	3,566	22,783	19,256
Wrangler Unlimited (trk.)	1,954	10,818	52,087	35,975	<b>39,943</b>	<b>201,794</b>	<b>1,003,573</b>	<b>969,431</b>	2,053	11,529	59,250	43,999
<b>Total Jeep</b>	<b>13,936</b>	<b>77,138</b>	<b>359,237</b>	<b>255,187</b>	<b>1,475</b>	<b>8,253</b>	<b>38,178</b>	<b>39,734</b>	<b>44</b>	<b>321</b>	<b>1,862</b>	<b>2,901</b>
<b>Total Chrysler brands</b>	<b>41,633</b>	<b>209,153</b>	<b>959,646</b>	<b>811,505</b>	<b>211</b>	<b>1,181</b>	<b>5,336</b>	<b>4,997</b>	<b>2,705</b>	<b>15,416</b>	<b>83,895</b>	<b>66,156</b>
Flavia cabrio	124	684	1,604	0	833	4,659	18,056	12,754	1,904	9,265	44,247	31,227
Thema (Can.)	2	4	920	0	2,429	11,814	58,395	53,900	4,565	24,360	126,280	94,482
Grand Voyager (Can. trk.)	176	774	3,410	0	0	4,464	38,398	33,217	44	321	1,862	2,901
<b>Total Lancia</b>	<b>302</b>	<b>1,462</b>	<b>5,934</b>	<b>0</b>	<b>2,538</b>	<b>11,253</b>	<b>55,755</b>	<b>49,026</b>	<b>4,609</b>	<b>24,681</b>	<b>128,142</b>	<b>97,383</b>
500 (Mex.)	1,455	6,610	29,850	18,789	788	4,412	23,206	22,043	0	0	0	0
500 convertible (Mex.)	238	1,089	4,090	2,324	528	2,956	14,974	14,510	1,735	7,498	37,721	26,875
Freemont (Mex. trk.)	1,007	4,601	24,077	7,049	<b>8,802</b>	<b>48,992</b>	<b>252,298</b>	<b>230,181</b>	742	3,867	17,582	15,541
<b>Total Fiat</b>	<b>2,700</b>	<b>12,300</b>	<b>58,017</b>	<b>28,162</b>	<b>203</b>	<b>1,121</b>	<b>4,544</b>	<b>0</b>	<b>6,351</b>	<b>31,865</b>	<b>146,206</b>	<b>71,290</b>
Volkswagen Routan (Can. trk.)	130	570	4,099	8,806	0	0	0	521	1,038	5,727	28,707	2,542
<b>Total U.S. car</b>	<b>5,619</b>	<b>29,157</b>	<b>111,306</b>	<b>110,685</b>	<b>14,832</b>	<b>75,558</b>	<b>370,968</b>	<b>314,645</b>	<b>2,400</b>	<b>13,827</b>	<b>48,285</b>	<b>0</b>
<b>Total Canada car</b>	<b>5,007</b>	<b>21,922</b>	<b>102,925</b>	<b>79,709</b>	<b>8,159</b>	<b>34,543</b>	<b>142,641</b>	<b>148,624</b>	<b>4,626</b>	<b>20,725</b>	<b>103,665</b>	<b>76,707</b>
<b>Total Mexico car</b>	<b>1,693</b>	<b>7,699</b>	<b>33,940</b>	<b>21,113</b>	<b>1,561</b>	<b>7,178</b>	<b>34,537</b>	<b>76,593</b>	<b>315</b>	<b>1,591</b>	<b>9,927</b>	<b>6,335</b>
<b>Total U.S. truck</b>	<b>18,426</b>	<b>101,994</b>	<b>481,936</b>	<b>398,680</b>	<b>20,931</b>	<b>111,169</b>	<b>536,821</b>	<b>508,037</b>	<b>946</b>	<b>4,862</b>	<b>27,403</b>	<b>20,261</b>
<b>Total Canada truck</b>	<b>7,447</b>	<b>32,676</b>	<b>146,542</b>	<b>127,329</b>	<b>7,746</b>	<b>34,343</b>	<b>168,597</b>	<b>154,267</b>	<b>2,522</b>	<b>12,633</b>	<b>58,770</b>	<b>38,087</b>
<b>Total Mexico truck</b>	<b>6,573</b>	<b>30,037</b>	<b>151,047</b>	<b>110,957</b>	<b>3,254</b>	<b>27,979</b>	<b>173,460</b>	<b>169,632</b>	<b>3,274</b>	<b>15,683</b>	<b>81,578</b>	<b>57,629</b>
<b>CHRYSLER GROUP</b>	<b>44,765</b>	<b>223,485</b>	<b>1,027,696</b>	<b>848,473</b>	<b>56,483</b>	<b>290,770</b>	<b>1,427,024</b>	<b>1,371,798</b>	<b>31,208</b>	<b>157,390</b>	<b>751,759</b>	<b>450,950</b>
C-Max (trk.)	16	84	212	0	0	0	1,170	0	446	2,249	10,393	6,340
Crown Victoria (Can.)	0	0	0	39,664	556	2,718	3,583	0	2,166	12,129	61,740	46,938
Fiesta (Mex.)	2,749	12,605	58,741	51,284	733	4,033	21,277	13,558	1,693	9,412	43,036	25,014
Focus	5,780	29,254	114,989	71,025	1,587	6,950	33,658	24,632	1,118	5,139	23,794	18,358
Fusion (Mex.)	5,979	27,419	123,822	123,429	803	4,409	10,526	6,662	1,836	10,183	52,952	39,033
Taurus	1,821	10,056	41,313	33,693	60	263	847	525	2,400	13,827	48,285	0
E-series, Econoline (trk.)	2,841	15,735	67,981	67,012	<b>3,739</b>	<b>18,373</b>	<b>69,891</b>	<b>46,547</b>	946	4,862	27,403	20,261
Edge (Can. trk.)	3,756	16,469	74,771	71,407	6,218	34,259	176,741	95,793	2,522	12,633	58,770	38,087
Escape (1st gen., trk.)	0	0	112,248	139,145	818	4,499	16,443	7,463	3,274	15,683	81,578	57,629
Escape (2nd gen., trk.)	1,137	5,929	11,884	0	2,782	15,322	85,366	29,242	446	2,249	10,393	6,340
Expedition (trk.)	1,100	6,090	28,790	24,091	6,218	34,259	176,741	95,793	2,166	12,129	61,740	46,938
Explorer (trk.)	3,288	18,212	83,646	67,454	818	4,499	16,443	7,463	1,118	5,139	23,794	18,358
F-series (trk.)	8,471	46,919	221,361	200,544	2,782	15,322	85,366	29,242	1,836	10,183	52,952	39,033
F-series Super Duty (trk.)	4,214	23,342	110,864	99,282	1,194	5,439	26,414	19,163	2			

# final assembly

▶ **COMPLETE SALES DATA:** Download all the May U.S. light-vehicle sales data at [autonews.com/datacenter](http://autonews.com/datacenter).

## comment

### How tough CAFE delays EV acceptance

As you may have noticed, the industry's enthusiasm for electric vehicles has dimmed considerably in the past year.

You could cite several reasons: election-year attacks on the Obama administration's backing of EVs, the stubborn reality of high EV prices and limited range, and the predictable glitches of any new technology.

But don't underestimate the effect of tougher federal fuel

economy regulations.

Sounds counterintuitive, doesn't it? Logically, pushing the U.S. Corporate Average Fuel Economy standard to 54.5 mpg in the 2025

model year — virtually doubling it in 14 years — should boost EVs.

It's not working out that way, though. Instead, automakers are pouring their resources into improving the efficiency of internal combustion engines.

The most obvious reason for this is inertia, the tendency of the industry to find ways to use current technology rather than undertake a wrenching, expensive change.

Certainly there is ample potential to improve internal combustion powertrains.

According to the Department of Energy, petrol-powered vehicles convert only 14 to 26 percent of the energy in their fuels into power that actually drives the vehicle.

That explains the popularity of technologies such as direct fuel injection, variable valve timing and turbocharging. They all make combustion more efficient.

But the pressure of the CAFE standards for steady, year-over-year improvement is also steering the industry back to internal combustion.

Big automakers make their billion-dollar powertrain bets a decade or more in advance. That means they need to have their plans in place now to meet their CAFE boogies. Near-term, at least, automakers can't gamble on consumer acceptance of unfamiliar, expensive electrified drivetrains.

So even though most automakers continue to view EVs and plug-in hybrids as plausible long-term solutions, the imperative to meet fuel economy standards is, paradoxically, pushing them back to internal combustion. That's where they see quick, certain gains in fuel efficiency.

You may e-mail Dave Guilford at [dguilford@crain.com](mailto:dguilford@crain.com)



DAVE GUILFORD  
ENTERPRISE EDITOR

## McLaren designer: Dump 'Model T' assembly method

Gordon Murray, the celebrated Formula One race car designer, says he has a new way to build small cars profitably by eliminating several steps in the production process.

"We've been making motor cars the same way since the Model T, and that model is breaking down," the British-based engineer told *Bloomberg Markets* magazine.

Murray, a South African, gained fame for his innovative lightweight designs for the Brabham F-1 team in the 1970s and early 1980s. He also designed the McLaren F1 road car — the world's most expensive

auto in the 1990s, and the fastest at 240 mph.

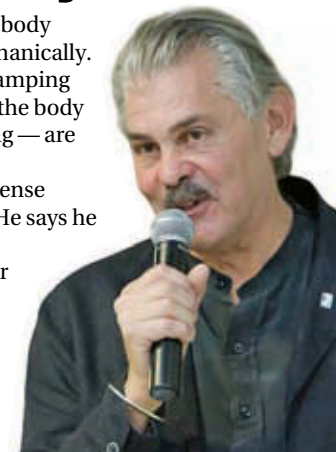
He says he decided to turn his focus away from high-performance machines when he got stuck in a traffic jam in London in 1993 and was surrounded by large gas-guzzling sedans. So far his company, Gordon Murray Design, has built two low-emission city cars, one gasoline powered and the other electric.

At the heart of Murray's iStream production system is a lightweight plastic composite material similar to carbon fiber but 25 times cheaper. This composite is used to make the chassis, onto which

components and plastic body panels are installed mechanically. He says three steps — stamping the steel frame, welding the body together and rustproofing — are eliminated.

Murray, 65, plans to license iStream to automakers. He says he has talked with 10 car companies and five other businesses to license iStream but has not closed a deal.

**Murray: No welding**



At the Petersen Automotive Museum, Shelby-inspired vehicles revved their engines in tribute to Carroll Shelby.

PHOTOS BY MARK VAUGHN

## A thousand-rev salute to racing great Shelby

Just before 7 p.m. PDT last Wednesday, May 30, the engines of several thousand Shelby Mustangs, Cobras, GT40s and even a few Series 1s cranked to life around the world and roared in tribute to racing great and design superstar Carroll Shelby, who died May 10 at age 89.

"I've got friends in South Africa who are firing theirs up right now," said a Shelby Mustang owner, standing amid a sea of barking beasts on the roof of the Petersen Automotive Museum in Los Angeles.

While untold numbers of enthusiasts watched on the Internet, the museum was ground zero for the worldwide Shelby tribute. About 1,200 of the faithful gathered to remember Shelby and pay tribute to his legacy.



When the engines fell silent after 7 p.m., the crowd gathered in the museum's main hall for an evening of reminiscing hosted by car collector Jay Leno.

"People ask me why I don't have any Ferraris," Leno said. "Well, in all the pictures of him I never saw Enzo Ferrari smiling. And I never saw Carroll Shelby when he wasn't smiling."

## Designers at Chrysler are going with the (air) flow

It's a tad ironic coming from the Chrysler design chief who made his mark a decade ago with the slab-sided Chrysler 300, an influential, in-your-face sedan with sheet metal that made the industry think boxy, not-so-aerodynamic styling could be cool. But these days Ralph Gilles says his stylists are spending hundreds of hours in the wind tunnel trying to create lozenge-shaped vehicles rather than unslippery rectangles.

Gilles says cars such as the Audi A7 and the redesigned Toyota Avalon have shown that mid-sized sedans can have the aerodynamic shapes typically associated with sports cars. And so Chrysler designers are going with the flow.

"The wind is starting to sculpt these vehicles," said Gilles last week at a gathering of Michigan business and political leaders.

He said Chrysler will need to follow the industry trend toward sleeker cars — including the next-generation 200 and 300.

Said Gilles: "We'll have no choice but to be some of the most wind-swept vehicles that you've ever seen."



Gilles wants "wind-swept" Chryslers.

## Alex Mair's lesson: Volume over quality is a bad choice

Alex Mair, who died last week at 91, was one of the few voices at the old General Motors who warned against the quality lapses that factored into the company's long market share slide.

Mair retired in 1986 after 47 years at GM, finishing his career as group executive in charge of the technical staffs. Earlier he ran both the Pontiac and GMC divisions. In a 1999 interview with *Automotive News*, Mair provided insights into GM's decline. This excerpt reflects how boom can plant the seeds of bust when the allure of short-term profits obscures long-term self interest.

**GM was widely criticized for its poor quality in the 1970s. What efforts did you make to**

**improve it?**

In '75 I joined Pontiac, and in '76 we introduced the first generation of downsized cars. I didn't like the quality, and I gathered up a small group of people, maybe four or five, who saw as I did, to go into the plants and figure out where the problems were.

Well, we had a great year in 1977. We were selling cars like mad, and there was a shortage. Can you imagine telling a plant manager that



his quality was bad when most of his phone calls were from some irate customer who wanted to know where the hell his Bonneville Brougham was?

**Why didn't the growth of imports change things sooner?**

"It was hard to sell the upper management on the quality of the Japanese cars. I brought in Japanese and German cars, and many of the managers and union people wouldn't even look at them. The excuses were amazing. They said, 'I was in the war,' or 'It's easier to build smaller cars.'

"We started a program internally at Chevrolet of dismantling cars. People say GM didn't care about quality. We knew where the gaps were."

**“I’ve never worked this closely  
with a financial provider before.  
We work together as a team to  
build a long-term strategy.”**

**— Inder Dosanjh  
California Car Group and Hawaii Auto Group**



**Kim Lepesh — Ally Account Executive**



**Inder Dosanjh — Dealer**

“I wasn’t in the market for a new F&I provider but, after meeting with Ally, I realized just how well they understood my business. Ally gave me the credible reasons for switching my dealerships over. And now, we work together daily on the big picture. They’ve customized individual plans for each of my dealerships to maximize our full potential for success. I like to call them ‘my solutions people.’ Ally has done amazing things for us.”

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to insurance to smart  
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**WITH vAUTO'S  
PROVISION  
MY INVENTORY  
MEETS CUSTOMER  
DEMAND.** 

—Shaun Del Grande, Del Grande Dealer Group, San Jose, California



Maintaining used vehicle inventory is no longer a time-consuming challenge for the Del Grande Dealer Group. With Provision™, vAuto's dynamic new inventory management system, they can determine exactly what their customers want. Just as important, Provision quickly locates the vehicles they need to create a balanced inventory to meet demand. *It's given Shaun and his team a huge advantage — helping them generate a 22% increase in used vehicle sales in only six months.*



**22%**  
INCREASE  
IN USED  
VEHICLE  
SALES



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