

## Three Days In Detroit

Our annual pilgrimage to the North American International Auto Show has given us ammunition for a number of *Observations*, so bear with me as this jam-packed column unfolds. There was a lot of good stuff, quite a bit of bad stuff, and more than enough pure *theatre* to keep a cynical auto analyst's eyes on the ball. I'd like to approach Detroit through a thematic perspective rather than through discussions of individual models.

### The Crossovers All Cross Over

From a product perspective, one gets the sense that "crossovers" (see *Observations*, November 15, 2005) have reached an uncomfortable saturation point. To be perfectly frank, they all look the same! Granted, the silhouettes of Accord, Camry, Impala, Jetta, Altima, and Five Hundred are all roughly similar, but the basic three-box sedan has been with us since time immemorial. We're used to it and can appreciate design subtleties. The "crossover" form factor has become prominent in an astonishingly short period of time, so the overriding impression is of a cohort of identical vehicles coming thick and fast. Lining up the silhouettes of the Mazda CX-7,

Acura RDX, Buick Enclave, Ford Edge, Lincoln MKX, Infiniti FX, Lexus RX, Acura MDX, Subaru B9, and even the Mercedes-Benz R-Class will result in a striking unanimity of shape.

I question the wisdom of populating vehicle lineups with so many "sport tourers." At some point in the future - perhaps ten years from now - the wider culture will wake up to the fact that these vehicles are inherently compromised. Niche products are cool, but they are limited in their appeal. Less useable space inside than a minivan, less agility and fuel economy than a traditional sedan or wagon. The increasing number of similarly proportioned crossovers appearing on dealer lots could indeed be pure novelty - a fad that will be identified and correctly labelled by future generations of industry analysts.

The issue here is that some companies (notably Ford) are counting on these products for serious volume. Several years ago, when such vehicles were semi-unique on the marketplace (and suitably differentiated from the competition), this

could be true, but now that they are "all the same," OEMs could be very disappointed with sales volumes. We'll see shortly because we are about to be inundated with these products. Expect disappointment.

Canadian Light Vehicle Market

Year	Total Market	Entry Level	Entry Level Share	Mid-Size Family	Mid-Size Family Share	Large/Luxury/Sport	Large/Luxury/Sport Share	Primarily Commercial	Primarily Commercial Share
1996	1,173,090	356,416	30.4%	521,253	44.4%	101,260	8.6%	194,161	16.6%
1997	1,387,950	432,918	31.2%	605,770	43.6%	113,156	8.2%	236,106	17.0%
1998	1,389,128	435,705	31.4%	592,599	42.7%	124,748	9.0%	236,076	17.0%
1999	1,501,099	476,927	31.8%	647,882	43.2%	142,236	9.5%	234,054	15.6%
2000	1,549,441	536,797	34.6%	623,570	40.2%	154,435	10.0%	234,639	15.1%
2001	1,570,629	598,691	38.1%	599,990	38.2%	153,729	9.8%	218,219	13.9%
2002	1,703,246	648,709	38.1%	650,341	38.2%	169,583	10.0%	234,613	13.8%
2003	1,593,506	610,554	38.3%	585,870	36.8%	166,980	10.5%	230,102	14.4%
2004	1,534,415	609,622	39.7%	512,712	33.4%	170,770	11.1%	241,311	15.7%
2005	1,583,291	677,142	42.8%	488,572	30.9%	184,576	11.7%	233,001	14.7%
<b>Change</b>	<b>3.2%</b>	<b>11.1%</b>		<b>-4.7%</b>		<b>8.1%</b>		<b>-3.4%</b>	

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

(continued on next page)

# Observations - "Three Days In Detroit"

(continued from previous page)

## The Asian Ascendancy

This was something of a watershed year for Detroit. In more ways than one, the traditional focus of the show (horsepower, performance, GM/Ford/DaimlerChrysler) was overshadowed by the growing ascendancy of Asian products - Japanese, Korean, and the first twinklings of a Chinese presence. Indeed, we started the show with the Honda Civic and Ridgeline being named North American Car and Truck of the Year. Both are manufactured in Canada, by the way.

From a product perspective, Detroit 2006 was very much an Asian show. Aside from pie-in-the-sky concepts (Ford), styling studies (DaimlerChrysler), and promises to do better in the future (GM), what production vehicles did the Americans unveil? GM introduced its GMT900 line of full-size light trucks, crucial to the company's success but running counter to the economy/ecology thrust that the most recent gas price-spike has given our industry; Ford showed the Edge crossover - good looking, but likely a medium-volume player; and DaimlerChrysler pulled the wraps off its Aspen SUV (see comments on GMT900), Jeep Wranger, and Dodge Caliber/Jeep Compass (exceptions to this argument - the Caliber is DCX's best-ever entry-level product). Moreover, the most high-profile concept introductions were those of the Dodge Challenger and Chevrolet Camaro - both unaccompanied by production guarantees, and both appealing to

a niche market. In short, most of the Detroit-based unveilings were either bacon-double-cheeseburgers or \$200 desserts.

In stark contrast, the Japanese showed meat - cold cuts, strip steaks, and fillets. Check out the big names on this list: Toyota Camry, Lexus LS460, Honda Fit, Nissan Sentra, and Nissan Versa. These are core products - big products - positioned in segments that are not threatened or volatile.

This sums up what each group of companies showed at the NAIAS: the Detroiters focused on great concepts and performance vehicles, while the Japanese concentrated their efforts on excellent mass-market production vehicles. Both strategies have merit, but which character has a more solid future: the daydreamer or the bookworm?

## The Everlasting Struggle Between Frugality and Fun

In previous years, it was fairly easy to articulate one of the Detroit show's themes: horsepower. Continuing the trend, it's none-too-difficult to make a similar case this year. Most everything has more power than needed. Does the new Acura RDX *need* 240 HP? Does the new Toyota RAV4 *need* 269 HP? At the same time, automakers across the board are introducing "green" mileage specials at an unprecedented rate. Among others, Toyota introduced some new hybrids, DaimlerChrysler showed their new "Bluetec" diesels, and both Ford and GM promised more hybrids in the years to come.

Yes, this was a powertrain show as much as it was a car show. Virtually every manufacturer struggles with the duality of providing "the ultimate driving experience" alongside its efforts to be "green." All are attempting to make headway with this emissions/consumption problem. Some efforts are serious, some token, but I cannot think of a single major automaker that failed to make mention of current or future products in either diesel, hybrid, or other so-called "green" technologies.

The contrast between "green" and "mean" was nowhere more evident than at Ford's first press introduction, where they paired the diesel-hybrid Reflex concept, an attractive subcompact coupe, with the Super Chief concept - quite honestly the largest "light" vehicle anyone has ever seen. True, Ford equipped this beast with a prototype tri-flex-fuel gasoline/E85/hydrogen engine, but such technology is closer to 2017 than 2007. Why would a company in financial difficulty waste valuable resources on this size of vehicle? Distinctive? Yes. Trend-setting? Perhaps. Appropriate in our current socio-political climate? No.

## Ford Still Struggling for Direction

Talk is cheap, actions speak louder than words, and so on and so forth. I heard the word "innovation" drop from the mouths of Ford executives too many times to count. "Innovation" in the present, "innovation" in the future, "innovation" plastered on all the

(continued on next page)

# Observations - "Three Days In Detroit"

(continued from previous page)

press kits and printed materials. "Innovation" printed in foot-high letters from floor to ceiling on the gateway to Ford's display area. If there really was a significant amount of for-real innovation in the products, it would be allowed to speak for itself.

Ford never escaped the 'black cloud' of their impending plant closing announcements on January 23rd. Most media reps wanted to ask questions about which plants would be closed rather than the new products spinning on the turntables. Of course, whatever good intentions went into the creation of Lincoln's two vehicles didn't translate into excitement, and quite likely will not translate into sales. The MKX crossover (Ford Edge with a grill job) and MKS sedan (Five Hundred in a tux) move the brand even closer to Ford/Mercury than before. In her speech introducing the new vehicles, Lincoln COO Anne Stevens said that Lincoln does not intend to compete internationally: (paraphrased) "The real competition is here in the United States." Well, I'm sorry: If you can't compete globally then you can't compete in the U.S.

Do you think anyone at Honda has ever dared voice a similar opinion? Toyota? BMW? Insularity is never a strong strategy. Design for the best and consumers will notice the difference.

Stevens went on to say that Lincoln was aimed at people who work hard, love America, and, uh, *work really hard!* Apparently, it's not politically correct to say "successful blue collar." The irony

is that Lincoln has likely produced a worthy vehicle, but their marketing machine refuses to recognize it as such.

There's a perceived credibility gap around Ford. Sitting at a Ford press briefing, murmurs, grins, and swivelled heads abound when the talk turns to hybrids, market share, or "competitiveness." These same jaded journalists become earnest when seated at a Honda or Toyota event. You can see the wheels turning in their heads: "Yes, I believe them when they say that they'll do this. They've stayed true to their word in the past." The same cannot be said for Ford, an entity that has consistently promised high and delivered low.

GM is the 'tweener' in this lot. They have delivered better product and design in recent years, but they have also tried to force a perception of materials-quality where no such reputation yet exists. Many of my peers struggle with this leap of faith, though I'll give GM the benefit of the doubt until they prove to me otherwise. I hope my faith in GM is well founded. We need a strong GM in this industry.

## **DaimlerChrysler**

DCX had a great show. Ford and GM went flashy and fatty, but DCX went lean. Alongside the requisite concept introductions, Chrysler formally introduced the Dodge Caliber, its most important entry-level competitor in more than a decade. They also introduced the Jeep Compass and Wrangler, both likely to be

volume vehicles. The Wrangler is notable in that it retains its predecessor's chiselled looks atop a platform every bit as sophisticated as the new Toyota FJ Cruiser.

Chrysler had an entirely decent live band playing out the new concept cars with soulful, blues-tinged rock. They also introduced a hint of comedy which took the edge off long waits and added levity to some long, overbearing days full of rhetoric. DCX executives displayed a surprising degree of candour during the Caliber's launch ceremony. One presenter actually joked, onstage, that "anything would be better than the Neon." One hardly expects to hear truth when seated in the press gallery, so this admission of failure - verbalized, straight from the Godhead - was simultaneously shocking and heartening, and it made messages from the rest of the DCX introductions more believable. Good job. Smart move.

## **The Other Asians**

Hyundai has reached the finish line. The Sonatas on display were ostensibly perfect vehicles, sporting slim panel gaps, flawless paint, solid door closures, pleasing interior materials, and handsome lines inside and out. The new Santa Fe is a genuinely attractive sport utility, evincing none of the melted awkwardness that characterized previous Korean efforts. These are world-class products. In many ways, they can even be considered *aspirational* products.

(continued on next page)

# Observations - "Three Days In Detroit"

(continued from previous page)

At the other end of the spectrum was Geely, the first Chinese manufacturer to show vehicles at Detroit. In point of fact, only one vehicle - a Hyundai Accent-sized sedan - was displayed, and the Geely booth was located in the lobby outside Cobo Hall's main exhibition rooms - fitting, since Geely will not be available in the US market for another few years.

The Chinese have much to learn about naming their vehicles. Nowhere among the vast assemblage of poorly-aligned letters and numbers on the little sedan's trunklid ("CK1.5 MR7151A") was there an S, E, or X - virtually a prerequisite for retailing an affordable vehicle in North America.

The Geely does not represent a threat to any of the established automakers - yet. We have said before that the first Chinese car to be available for North American press examination should be *perfect* - rebuilt with titanium and gold and magic dust. The Geely brought to Detroit, while possibly an excellent example of the breed, lived up to most [negative] expectations. It is several design cycles behind the segment leaders, comparing more directly with the subcompacts of 1986 than those of 2006. It should be noted, however, that Geely representatives are well aware of their vehicle's shortcomings and plan on using NAIAS feedback to refine the product.

Regardless, there is certainly a market for unrefined "appliance transportation," and if the price is

low enough (say, \$9,999), Geely may indeed represent value to some buyers who would otherwise be shopping the used market. I predict at least five years before we see a Chinese-built vehicle, much longer than most of my fellow analysts.

## Miscellaneous Impressions

The babes are back! Ferrari wins with their stunning assortment of tall, beautiful women. Runner-up awards for Lamborghini, Maserati, Saleen, and Cadillac, the latter's models kitted out in costumes cribbed from *Cats*. Some may harp on the anti-PC quality that models bring to a modern auto show, but I like to think of their presence as the continuation of a grand auto show tradition - like the pulling of tarps off of new cars, or the smoke that inevitably accompanies larger vehicle launches. With an unprecedented number of new models entering the marketplace all at once, manufacturers are searching for ways - any ways! - to distinguish their products from those next door. Suzuki had free massages, Volkswagen had excellent food, Cadillac had girls. This is a calculated marketing ploy to which human males (approximately 98% of press day attendees) are programmed to respond. Bringing back the babes certainly distinguishes one's product.

Honours for best location go to Toyota. Positioned directly across from millionaire's row (50 metres of Ferrari, Bentley, Lamborghini, Rolls Royce, and Maserati), Toyota benefited from the traffic reliably generated by Italian

exotics. Additional kudos to Toyota for their use of simulcasting technology, staging two precisely timed and choreographed vehicle introductions at the same time. Very impressive and useful. This spreads the 10,000 media and hangers-on across two venues and makes it a lot easier for everyone to actually appreciate the message and *see* the vehicles being introduced.

Help me understand "Detroit Muscle!" The launch of the Chevrolet Camaro concept was accompanied by an incredible feeding frenzy. As Bob Lutz and Rick Wagoner basked in the glow of their new creation, hordes of photographers rushed in to grab the first imperfectly-lit pictures - and didn't stop! Hours - days! - after the unveiling, the Camaro concept was still surrounded by a throng of press onlookers. Could the average age of attendees (55) and the retro flavour of the Camaro's lines (circa 1967) have had anything to do with this? Considering that the vehicle is not yet slated for production, it's likely that this is simply the best-yet attempt to take advantage of the older generation's wistfulness for quick, dirty speed.

Unfortunately, "Detroit Muscle" also comes with an insurance tab of \$5,000 or more for most drivers, so volumes will never materialize. Some day, GM and Ford will have to realize that "niche" vehicles will not get them out of their market share funk no matter how good the vehicles are and how much nostalgia they conjure up. **DAR**