



OBSERVATIONS

Dennis DesRosiers

Reflections on the Detroit Auto Show - 2007

I went to my first Auto Show in Detroit in 1964 and remember meeting Parnelli Jones, winner of the previous year's Indianapolis 500. What a thrill! The Detroit Auto Show continued providing similar thrills for many years following, ultimately peaking in popularity the following decade. The late 1970s and 1980s represented a period of deterioration and decline, virtually in lock-step with the market shares and public images of GM, Ford, and DCX.

In the late 1980s, a number of executives at the Detroit OEMs stepped forward and decided that the turn-around at their companies had to be reflected at their hometown auto show. In 1989, the show grew in size, stature, and importance when it

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was re-launched as the North American International Auto Show (NAIAS). Along

with the new name came dozens of concept cars, pre-production launches, and countless over-the-top presentations. The SWAG (Souvenirs, Wearables and Gifts) and off-site parties matched the largess of the vehicles themselves, and it was clear that Detroit was back in the excitement business. For the last 15 years, the world (represented by 7,000 - 8,000 members of the press) convened on Detroit during the first week of January for the only "must attend" show in the global automotive sector.

This year's NAIAS seemed less exciting than before, failing to match the hype that preceded it. Is the show in decline? The cars were certainly as good as ever (I'll discuss products later in this *Observation*), but the overall tone and positioning of the show seemed smaller. After 15 years of more-more-more, Detroit delivered less-less-less: fewer concepts, fewer pre-production vehicles, fewer media, fewer spectacular intros, fewer off-site parties, and certainly less SWAG.

My reasoning may be less-than-scientific, but the following are some of my thoughts as to why this happened. First, players in our

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industry have a tendency to over-spin just about anything in an ongoing game of one-upmanship. The 1989 show started with a big launch event on the Monday morning, but that party had crept to Sunday night by the mid-1990s and Sunday morning by the early 2000s. This year, GM chose to further extend the show by hosting a "cars and celebrities" media bash on Saturday night, using the occasion to formally unveil the new Camaro convertible concept. While certainly a great car and a great party, this show day "creep" has resulted in a loss of focus out on the NAIAS floor.

Spreading the whole thing out over three days and four nights has diluted the importance of the entire show.

Second, since the Detroit show's re-launch in 1989, the combined market shares of GM, Ford, and DaimlerChrysler have dropped from the 80 percent range to just over 50 percent. This has resulted in roughly a half dozen restructurings with more to come. While wandering the seemingly-endless vault of Cobo Hall, we were unable to escape this black cloud that hangs over southern Michigan. Percolating in the far recesses of most attendees' minds were questions about the very

survival of GM, Ford and DaimlerChrysler. This is hardly a platform from which excitement radiates and positive energy flows. Instead, it creates a mood of overriding cynicism where attendees watch the Detroit-based OEMs for signs of failure rather than success - a shame, since each member of the former "Big 3" gave a glimpse of their future with which an honest reviewer would be hard-pressed to find fault.

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Third, perhaps because of the financial state of the industry, most OEMs cut back on their respective media strategies. Yes, the displays were still larger-than-life and the cars still shiny and plentiful, but certain things were notable for their absence. GM took a one-a-day approach to their launches (four including Saturday's gala event), Ford cancelled their annual global media breakfast on the Monday, and DaimlerChrysler avoided its traditional 21-gun new product salute in favour of a low-key (and low-energy) cooking session with television chef Bobby Flay in honour of the

new minivan's unveiling. By way of comparison, the then-new Jeep Wrangler smashed through Cobo Hall's plate glass frontage in 2006.

Fourth, aided by the Internet and its army of bloggers, the OEMs have fundamentally changed their media rollout strategies. With a few exceptions, we have detailed prior knowledge about virtually every vehicle launched at Detroit. We used to get broad-brush indications of what was to be introduced, but never complete specs and high-resolution promo shots. The media embargoes that worked in the past have been perforated with the advent of citizen journalism, and vehicle companies need to adapt, adopt, and advance if they want to keep the presents wrapped before Christmas morning.

Fifth, there appears to be recognition that other cities are hosting important shows. The fundamental purpose of an auto show is to sell cars and several of these other events are in critical mass markets. To add excitement to the New York, Los Angeles, and Chicago auto shows, the OEMs appear to be holding back in Detroit and allowing some of their new and exciting products to be introduced at these

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competing events. Despite all this talk about decline and usurpation and absent breakfast buffets, the Detroit show remains - from a pure product perspective - a profoundly positive experience.

We like to come away from Detroit with a number of specific themes and this year was no exception. The following are some of the most significant.

No Showstoppers in 2007

When the flash bulbs die and the last morsels of free food have been picked from the catering tables, one's mind automatically tries to organize three days' excitement into vaguely digestible information. The first thing you notice - consciously or not - is the existence of a prom queen. Last year, for example, the Chevrolet Camaro and Dodge Challenger concepts shared that honour; at various other times, unofficial honours have been bestowed on such disparate vehicles as the VW New Beetle, the MINI Cooper, the Ford Thunderbird, and even the Dodge Caravan.

2007, however, proffered no clear winner. One can deduce that the DaimlerChrysler minivans, Chevrolet Malibu,

and Chevrolet Volt handily carried the "most important"

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and Chevrolet Volt handily carried the "most important" mantle, but none of those vehicles boiled the blood or united the assembled press as had their counterparts in previous years. Certain concepts, like the Ford Interceptor and Jaguar C-XF, generated considerable interest and discussion, but there was no consensus on the show floor. Of the hundreds of people with whom we talked, few had a solid favourite. This is perhaps another reason why many found the show somewhat flat.

Upgraded Interiors and the Trickle-Down Effect

Evident in the product portfolios of all three U.S.-based vehicle companies were traces of trickle-down technology - ideas that gained traction within the European brands years ago that have been recognized for their

value-adding potential in mid-to-low priced vehicles. Possibly the most obvious and widespread example is the integration of "ambient lighting" into volume-market products.

For several years, certain luxury brands (e.g. Audi and BMW) have been equipping their vehicles with hidden-source interior lighting. Light seems to spill from foot wells, cup holders, and other cracks and crevices. For 2008, vehicles from GM, Ford, and DaimlerChrysler will be sporting ambient lighting in their interiors.

Speaking of interiors, we were struck by the improvements made by GM and DaimlerChrysler in the quality of their latest dashboards, centre stacks, instrument panels, grained plastics, door cards, and seat fabrics. The Aura, Malibu, Sebring, and Avenger all show that the US-based companies have finally taken to heart many of the criticisms that have been levied at them since the 1980s. We spent a considerable amount of time going over these vehicles, and I can confidently say that none have the "rental car" stigma that has plagued so many new GM, Ford, and DaimlerChrysler entries in this and other segments.

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Other trickle-down technologies that have been adopted en-mass include:

- Bluetooth connectivity and iPod integration
- Hard drive-based entertainment systems
- Direct-injection fuel systems

In many respects, transportation has become synonymous with communication and entertainment, and the distinct worlds of those three industries are rapidly converging. Every vehicle manufacturer is focused on integrating technologies that connect drivers with the real world while waiting in traffic, potentially making the most of previously wasted time.

Ford's Current Product Vacuum

Ford presented three concepts and two production vehicles. Only one of the concepts is semi-realistic, and both of the production vehicles are re-introductions of existing products. The "redesigned" Focus is especially troubling; instead of importing the next generation Mazda3-based vehicle that sells in Europe and other world markets, Ford has

chosen to once-again facelift the existing car. The Focus will enter 2008 in its 10th year on the same platform (9th in North America). The Five Hundred received a great new engine, but its styling tweaks are minimal. Ford deserves credit for adding much-needed horsepower to this vehicle, but most analysts believe it's a move that could have been avoided had the Five Hundred been launched with a segment-appropriate powertrain.

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The Mercury brand is not available in Canada, but the current state of this U.S.-only brand telegraphs a great deal of information about its parent company. With that in mind, it's worth noting that Mercury's portion of the Ford display looked particularly anemic at this year's NAIAS. Ford is the current "kicking horse" of the world's automotive analysts, and for good reason; the near-term products showcased at Detroit

and other shows haven't given us much comfort that Ford will experience a quick recovery. The cars matched the walls in Mercury's pastel-hued booth (white, beige, pastel rose, and baby blue), supporting the oft-repeated rumour that Ford has focused the brand on female buyers. It seems questionable, though; we would assume that women appreciate bright, bold colours just as much as men - possibly more so! Indeed, this like a decision rooted in the outdated focus-group mentality that landed Ford in its current product debacle.

Diesel, Hybrid, E85 and other Environmental Initiatives

Diesel-powered vehicles received a huge push this year. Several manufacturers devoted a significant amount of booth space and presentation time to their diesel offerings. Audi, BMW, and Mercedes-Benz were particularly "visually invested" in diesel, and Honda and Mitsubishi made mention of upcoming diesel-powered products.

Hybrids are no longer "the next big thing;" they've been mainstreamed to the point where volume market cars are expected to have a hybrid

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GM, Ford, and DCX Crossover Utility Vehicles in Canada Number of Units

Year	Total Market	Crossovers Vehicles	% Share of Total Market	GM, Ford, DCX Units	GM, Ford, DCX Share of Crossovers
1996	1,173,090	1,899	0.2%	-	0.0%
1997	1,387,950	27,573	2.0%	-	0.0%
1998	1,389,128	29,065	2.1%	-	0.0%
1999	1,501,099	27,650	1.8%	-	0.0%
2000	1,549,441	52,294	3.4%	14,922	28.5%
2001	1,570,629	97,779	6.2%	37,729	38.6%
2002	1,703,246	120,540	7.1%	43,179	35.8%
2003	1,593,506	133,981	8.4%	46,319	34.6%
2004	1,534,415	146,622	9.6%	54,641	37.3%
2005	1,583,291	182,257	11.5%	71,047	39.0%
2006	1,614,700	241,189	14.9%	114,447	47.5%

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

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variant available. Toyota and GM showed a number of hybrids, and GM's new two-mode hybrid system seems poised to finally challenge Toyota's pre-eminence when it reaches dealers in mid-2007.

Ethanol capability was touted by most manufacturers. GM, Ford, DaimlerChrysler, and Toyota made noises about their engines' compliance with the alcohol-based fuel, and GM took the extra step of affixing a small "Flex Fuel" badge to the rear ends of its E85-capable GMT900 pickups and SUVs.

GM also devoted a large amount of presentation time to the Chevrolet Volt and its accompanying suite of

technologies. While still years away from production and dependent on huge advances in

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battery technology, the fact that GM has shifted gears (away from pure fuel cell vehicles, towards more realistic combination-powerplant solutions) so quickly indicates a new measure of corporate agility. It isn't often that GM can one-up Toyota on the environmental front, but they successfully pulled this off in Detroit.

DaimlerChrysler did not mention or introduce any other significant environmental initiatives or environmentally-friendly products. Ford showed the Airstream, a plug-in hybrid with hydrogen fuel cell backup power. Although conceptually similar to the Chevrolet Volt, Ford chose to bury the Airstream several vehicles deep in its traffic jam of a press conference, thereby blunting its potential mass-media impact and ceding the plug-in hybrid press to GM.

GM Plays to its Strengths

GM had a great show. The CTS and Malibu introductions were classy, small-scale, thought-provoking, and

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Import Crossover Utility Vehicles in Canada Number of Units

Year	Total Market	Crossovers Vehicles	% Share of Total Market	Japanese Units	Japanese Share of Crossovers	European Units	European Share of Crossovers	Korean Units	Korean Share of Crossovers
1996	1,173,090	1,899	0.2%	1,899	100.0%	-	0.0%	-	0.0%
1997	1,387,950	27,573	2.0%	27,573	100.0%	-	0.0%	-	0.0%
1998	1,389,128	29,065	2.1%	29,065	100.0%	-	0.0%	-	0.0%
1999	1,501,099	27,650	1.8%	26,995	97.6%	89	0.3%	566	2.0%
2000	1,549,441	52,294	3.4%	29,726	56.8%	1,840	3.5%	5,806	11.1%
2001	1,570,629	97,779	6.2%	45,920	47.0%	2,802	2.9%	11,328	11.6%
2002	1,703,246	120,540	7.1%	62,356	51.7%	3,231	2.7%	11,774	9.8%
2003	1,593,506	133,981	8.4%	69,738	52.1%	5,635	4.2%	12,289	9.2%
2004	1,534,415	146,622	9.6%	69,730	47.6%	7,719	5.3%	14,532	9.9%
2005	1,583,291	182,257	11.5%	74,926	41.1%	8,412	4.6%	27,872	15.3%
2006	1,614,700	241,189	14.9%	88,283	36.6%	8,779	3.6%	29,680	12.3%

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

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considerably more information-oriented than equivalent presentations from Ford and DaimlerChrysler. Absent was the smugness - the arrogance - that has defined past presentations from GM and its competitors. By avoiding much of the traditional pomp and circumstance, smoke and mirrors, and general salesmanship associated with these sorts of pressers, GM's message was easier for the listener to accept. Yes, there were the requisite superlatives (e.g., a video drawing parallels between the Chevrolet Volt's powertrain and other historically important innovations, such as the Gutenberg press), but the general message was

straightforward and believable. The entire GM press offensive seemed intimate and genuine, and their decision to present a

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small number of cars allowed for a tighter focus on individual products. GM definitely chose quality over quantity!

One gets a feeling that - for the first time in several years - GM is correctly reading the segments in

which it competes and pitching products towards a more discerning buyer. Evidence of this exists in the fact that Chevrolet has chosen not to equip base Malibus with either of the archaic OHV V6 engines available in other GM products (including the Malibu's platform-mate, Saturn's Aura). By finally deploying the award-winning 3.6L DOHC V6 in a volume-market Chevrolet product, GM is issuing a tacit admission that it no longer believes its customers won't know the difference (or care about their power trains). Today's educated buyers do indeed know the difference, and companies can no longer use

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high horsepower numbers to cloak ancient technology.

Crossovers are the New Black

Crossovers are the new family sedans, the new station wagons, the new SUVs, and the new minivans. They're the obvious answer to every product hole, but the market's saturation point is nearing and the hype is starting to wear thin. Manufacturers have glommed onto the segment in a way that makes the "minivan revolution" look trivial. Considering the rate at which manufacturers are swapping traditionally-segmented products for CUV replacements, it's likely that the crossover segment will mature over the coming years to the point where it forms one of the vehicle market's core sectors.

We wonder if the crossover fad will follow the same quick-rise, slow-decline pattern that has stung the minivan and intermediate SUV segments in recent years. It seems that any given generation of children who grow up with a certain style of family vehicle refuses to purchase a similar product when starting their own families. The traditional station wagon enjoyed about 30 years of intense popularity; the

traditional minivan enjoyed 20; and the intermediate SUV had a solid 15 year run. Fickle new parents don't want to drive their fathers' Caravans.

The Rundown

General Motors launched the all-new Chevrolet Malibu and Cadillac CTS, both notable for their exterior and interior sophistication. Also introduced were the innovative Chevrolet Volt concept and its underlying E-Flex powertrain. GM released - but did not formally introduce - the Pontiac G6 GXP and Torrent GXP (performance versions featuring the acclaimed 3.6L "High Feature" V6), and Hummer H3 Open-Top concept.

The Chrysler Group's most important product introduction was for the redesigned Dodge Caravan and Chrysler Town & Country minivans. While ostensibly competitive with import-nameplate vans and blessed with a long and comprehensive equipment roster, we question whether the "Swivel & Go" disappearing coffee table will resonate with consumers as solidly as the previous generation's "Stow & Go" rear seats. Also shown were the new Dodge Avenger (sharing a platform with the

Chrysler Sebring) and freshened versions of the Viper and Magnum. Concepts included the Chrysler Nassau (possible 300 successor) and Jeep Trailhawk.

Ford anchored its press conference with concept introductions, including the Mustang-based Ford Interceptor concept, Ford Airstream minivan concept, and Lincoln MKR 4-door coupe concept. A facelifted Five Hundred and heavily refreshed Focus were also shown, both drawing mixed reactions from

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the audience of journalists and industry representatives. Ford's TwinForce TTV6 engine, to be deployed in future years in several Ford vehicles as an alternative to thirsty V8 power, was shown for the first time in the Lincoln MKR concept.

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Toyota introduced the Tundra CrewMax full size pickup and Lexus IS-F sports sedan. Two hybrid-powered Lexus concepts were also shown, the FT-HS concept and LF-A concept (mildly reworked from its original introduction in 2005). Toyota is clearly targeting the "commercial use" owner with the all-new Tundra. Skilled trades and business-owned fleets represent the heart

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Honda showed its striking Accord Coupe concept (said to be very representative of next year's production car) and Acura Advanced Sports Car concept (said to hint at a next-generation Acura NSX in the slightly-more-distant future). Nissan introduced the Rogue crossover, Bevel concept, and a freshened Infiniti QX-56. Mazda's presentation focused on the dramatic Ryuga concept.

A hybrid version of the aging Tribute was quietly released. Mitsubishi introduced an all-new Lancer compact sedan, as well as showing the Lancer-based Prototype X concept. Subaru showed the facelifted Legacy sedan and Outback wagon.

Hyundai introduced its new Veracruz large crossover, completing its three-part assault on the SUV market, and Kia showed the Kue crossover concept.

BMW introduced its handsome 3-Series convertible, though official photographs and videos of the vehicle have been available online for months.

Mercedes-Benz showed two concepts, the S-Class-based Ocean Drive convertible and Vision GL420 concept (a production-feasible GL-Class SUV with Bluetec diesel engine). Porsche introduced a refreshed Cayenne, excising the previous version's "melted" headlamps and hopefully revitalizing the once-popular SUV's lagging sales. Audi introduced two diesel versions of the Q7 sport utility (V6 and V12), with the former slated for production and near-term U.S. sales. Volvo unveiled the XC60 crossover concept, potentially providing Volvo with a competitor for the BMW X3,

Land Rover LR2, and Acura RDX. Jaguar showed its C-XF concept, hinting at styling themes that will be explored in the forthcoming S-Type and XJ sedan replacements.

Maserati introduced a revised Quattroporte sedan, now available with a conventional automatic transmission for buyers whose ultra-luxury sensibilities failed to mesh with the standard F1-style semi-automatic gearbox. Finally, Rolls-Royce revealed the production version of its Phantom Drophead Coupe, a dead-ringer for the opulent 100EX concept convertible shown in 2004. **DAR**