Dealer Network Is Now More Efficient, Profitable

by Christine Snyder
Staff Reporter
Tech Center News

Now that the U.S. automotive dealer network consolidation is stabilized, dealership profitability should be the result this year, according to Urban Science's 2010 Automotive Franchise Activity Report.

The global retail consulting firm's report was revealed Feb. 16 at Urban Science's offices in the GM Ren Cen.

The report tracks the activity of franchises (automotive brands) and dealerships (a location where one or more franchise vehicles are sold).

The past three years saw dramatic declines in both franchise and dealership counts for domestic automakers due to brand discontinuation and dealer network consolidation.

The network in place is more efficient, said Randy Berlin, global account director at Urban Science.

"Dealers, whether or not they went through consolidation or arbitration, they all got leaner," said Berlin. "They are very well-positioned to be profitable going forward."

Berlin points out that Chevrolet and Chrysler sales are continuing to grow and the automakers are selling at fewer dealerships, which translates into higher profitability for those dealers.

Imports have been getting by on fewer dealerships and doing so profitably, said Berlin. "Particularly Toyota and Honda, they have the same amount of sales as Chevy or Chrysler, but Honda and Toyota do it with fewer dealerships."

That being said, imports are unlikely to go into small "legacy" dealership areas, where Ford, Chrysler and GM may have had a presence for a hundred years, a point in the domestics' favor.

"The domestics can be made more competitive . . . but imports are never going to go to those smaller rural areas," said Berlin.

GM and Chrysler had bankruptcies to force their consolidation efforts, but Ford has been doing a good job of self-regulating its dealership network, said John Firth, vice president of Urban Science.

"Ford has to constantly (review) its network," said Firth, who added, for the first time he can remember, Ford had slightly more franchises at 3,137 than Chevrolet with its 3,084, making it the brand with the most franchises.

The past year saw the biggest declines in franchises from discontinued brands such as Hummer, Pontiac, Saturn and Mercury. Firth said we will see another drop in 2011 as Mercury continues to wind down.

While Chrysler's dealership consolidation contributed to 50 percent of the dealership decline in 2009, in 2010 it actually added some dealerships.

"Chrysler is getting closer to their goal of putting all four of its franchises (Chrysler, Jeep, Dodge and Ram) in each dealership," said Firth. Right now, 86 percent of its stores carries all four brands.

This year is a big launch year for OEMs, and new models means new challenges for the lean dealer network, said Jody Stidham, global practice director for Urban Science.

"It (a launch) heightens interest and you get a higher number of leads," said Stidham. "That is going to have an impact with a smaller network, who need to (distinguish) between interested buyers and tire kickers."

This is especially true of vehicles with new technology, which may peak consumer curiosity without peaking interest to buy, said Berlin. "They may not want to buy a Volt, but they have tremendous interest."

New vehicle technology, in and of itself, will be a challenge for dealerships, said Berlin.

"Dealers are going to have to adapt to the new technology in vehicles, "said Berlin. "That will be a major challenge to get up to speed on that."

Berlin said balance will be the key to dealer profitability in 2011.

"Even though there is an uptick (in sales), it will be incumbent upon them to keep investment in facilities and personnel in check," said Berlin. "We are not in our heyday yet."

Adapting to new technology, like in the Chevy Volt, is going to be a major challenge for dealers in 2011, say Urban Science analysts.

'Impossible Dream' Comes True For Ford Engineer Dave Pericak

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afforded Pericak the chance to interact with several chief engineers and inspired his desire to direct a vehicle program himself.

"For the program to be Mustang was almost too much to hope for," he said.

A native of Chicago, Pericak and his wife KrysAnna ("my high school sweetheart") have been married 13 years and live in Bruce Township, Mich., with their 20-month-old son Dominic.

"The best thing about living here is the outdoors," said Pericak. "My house is my favorite place to hang out. We live on a pond – I love to fish – and have a bit of land. The wildlife is awesome. I always feel like I'm on vacation."

Pericak's favorite auto-themed movie is "Gone in Sixty Seconds." Not surprisingly, the famous Mustang, named "Eleanor," is his favorite car featured in a movie or TV show.

In Pericak's garage are a 1968 Mustang, a 2000 Mustang GT convertible, a Lincoln MKT and a Ford Focus. "I am going to add another Mustang soon," he says.

Pericak recently wrote a chapter in the book, "Program Management Circa 2025."

28 Months After Intro, Fiesta Sets Mark in Europe

COLOGNE, Germany – European sales of the latest-generation Ford Fiesta reached one million last month.

The landmark was achieved just 28 months after the popular Ford small car – Ford's No.1 top-selling car – went on sale in Ford dealerships across Europe.

When it first drove out of Ford dealer showrooms in October 2008, the award-winning Ford Fiesta championed a new era in small car design, performance and functionality.

Available in three- and five-door hatchback bodystyles and a range of fuel-efficient powertrains, it shot up the sales charts and became the No. 2 best-selling car in Europe in early 2009, a position it has retained ever since.

"I want to thank our customers across Europe for making the Ford Fiesta such a great success," said Stephen Odell, chairman and CEO, Ford of Europe.

"Its innovative design combined with state-of-the-art technology continues to be a great hit.

"To reach the one million sales mark is a significant achievement, but there is much, much more to come as the Ford Fiesta continues to appeal to customers and goes from strength to strength in markets throughout Europe."

The Ford Fiesta is produced in Europe in Ford's state-of-the-art assembly plants in Cologne, Germany and Valencia, Spain. It is the most successful European-made small car ever sold in Europe, with cumulative sales totaling 14 million since the car was first launched in 1976.

For the past 35 years, the Ford Fiesta has been synonymous with economical, practical and dependable motoring, says Ford officials.

Today, according to Ford, it continues to appeal to a new generation of motorists, with research showing it is attracting younger, more affluent buyers who are choosing higher trim levels with more features and options.

Ford officials point to several Fiesta highlights:

- The new Fiesta RS World Rally Car scored an impressive 1-2-3 in last week's Rally Sweden on its first competitive outing.
- Ford Fiesta has gained a five-star safety rating in China, with similar maximum ratings in Europe and Australia/New Zealand.
- More than 55 per cent of the Fiesta body structure is made from ultra-high-strength steel.
- Key European markets for the Ford Fiesta are France, Germany, Great Britain, Italy, Spain, Belgium, Netherlands and Turkey.
- Last year, the Ford Fiesta was the top-selling car in Greece and the UK.
- Ford Fiesta is built at Ford plants in Cologne, Germany; Valencia, Spain; Nanjing, China; Rayong, Thailand, and Cuautitlán, Mexico, and is sold globally in more than 100 markets.
- The Fiesta ECOnetic model comes with ultra-low 3.7 l/100 km (76.2 mpg) and 98 g/km CO2 emissions.

[a]Fuel economy figures quoted are based on the European Fuel economy Directive EU 80/1268/EEC and will differ from fuel economy drive cycle results in other regions of the world.)

- Conquest customers (those who coming to Ford from competitive brands) represent 45% of all buyers.
- Gender: Men 50%; Women 50%.

Ford hit a major sales milestone with the announcement that the automaker has already sold its 1 millionth Fiesta in Europe.

TRW Makes Advances In Passenger Safety

TRW Automotive Holdings Corp., last week unveiled a new, intelligent safety system designed to enhance the protection of occupants in challenging driving situations or mitigate the effects of a violent car crash.

The system combines TRW's Automatic Emergency Braking (AEB) system with its Active Control Retractor (ACR) seatbelt technology to reinforce driver warning; improve occupant position in relation to the vehicle's airbag restraint system; and provide automatic braking support.

Peter Lake, executive vice president fr TRW Sales and Business Development, said, "We continue to see an even greater market demand for intelligent or 'cognitive' safety systems. Our focus is on delivering solutions for the full range of vehicles from luxury models through to low-cost cars in emerging markets.

"New legislation, such as mandates for ABS and airbags in Brazil, ESC in Europe and North America, and automatic emergency braking systems on trucks in Europe, open up a wealth of possibilities for safety integration to deliver greater value for vehicle manufacturers and the consumer.

"Our combination of AEB and ACR is just one example of how TRW is taking safety to the next level," he claimed.

Working in isolation, the two dedicated, in-vehcile systems use data from environmental and vehicle dynamics sensors to offer automatic emergency braking support without driver intervention, or remove seatbelt slack to help maintain the position of the driver or passenger in anticipation of airbag deployment.

Alois Seewald, global director for integrated active and passive safety technologies at TRW, said, "By integrating the two systems, we are able to realize a higher level of safety: the ACR can provide an additional warning to the driver when a critical situation is detected and pre-tension the seatbelt a split-second sooner than an ACR system working only based on vehicle dynamics sensors information. Although we're talking about milliseconds, it can help to mitigate the impact of a crash."

The integrated TRW system used a mid-range radar in combination with a scalable video camera which independently gather data of the road and traffic situation in front of the host vehicle: the radar looks forward up to 150 meters, whiel the camera covers a closer, but wider field of view and helps to detect and classify objects in front.

If the sensors detect a critical situation, the driver is alerted to the potential danger (visual, audible or haptic feedback) and the ACR system pretensions the seat belt which can provide an additional warning to the driver as well as remove seat belt slack to help maintaining the position of the occupant prior to a crash event and airbag deployment. Furthermore, a certain amount of brake pressure will be deployed automatically.

The system will be ready for production in 2013.

HF Promotes Overland

Christian Overland, Vice President of Collections and Experience Design for The Henry Ford, was named Executive Vice President, it was announced by Patricia Mooradian, president of the organization.

"Throughout his career here at The Henry Ford, Christian has been a driving force behind our strategic plan and direction," said Mooradian.

"He is truly dedicated to our institution and is committed to growing our agenda to be a sustainable business model as well as maintaining a strong vision for this organization to be a global resource of American innovation."

As Executive Vice President, Overland is responsible for leading and managing the strategic planning, national positioning and visitor experiences both virtual and onsite. In addition, he oversees all historical research, education programs, experience design and is responsible for the maintenance and growth of the institution's collections. He maintains a strong vision and common agenda for the core business of the organization, working closely with The Henry Ford's President and Institutional Advancement Team to manage external partnerships and raise funds toward achievement of the institution's goals.

Overland began his career at The Henry Ford in 1992 and has served in a variety of leadership roles including Leader of Collections Maintenance, Leader of Greenfield Village Transportation Programs, Director of Public and School Programs and Director of Greenfield Village.

Navistar Combines Efforts with EcoMotors on New OPOC Engine

WARRENVILLE, Ill. – Navistar International Corp. announced last week it has reached a development agreement with EcoMotors International in support of the company's OPOC (opposted-piston, opposed-cylinder) engine architecture.

EcoMotors intenrational's first product targeted for commercial application is a turbo-diesel version of the innovative OPOC engine.

"We continue to be on the cutting edge of technology and our development agreement with EcoMotors once again demonstrates our commitment to develop new, innovative approaches to the commercial vehicle industry," said Dan Ustian, Navistar president, CEO and chair.

"Our company has a long history of pushing the envelope to deliver state-of-the-art, customer-focused solutions and we see great promise in EcoMotors' breakthrough engine design."

Khosla Ventures' Vinod Khosla, EcoMotors' primary investor along with Bill Gates of Microsoft, sees the Navistar-EcoMotors alliance as a reflection of the disruptive nature of the OPOC technology.

"EcoMotors is proud to partner with Navistar to commercialize the revolutionary OPOC engine," said Don Runkle, CEO, EcoMotors International.

"For customers such as Navistar, this remarkable engine technology represents a competitive advantage that enables not only enhanced environmental sustainability, but also greater profitability.

"Our engineers are working to effectively rejuvenatethe internal combustion engine for the 21st century."

EcoMotors' patented engine design creates a groundbreaking internal combustion engine family architecture that will operate on a number of different fuels, including gasoline, diesel, natural gas and ethanol.

The OPOC's new opposed-piston, opposed-cylinder direct gas exchange operation provides the well known emissions benefits of 4-cycle engines, the simplicity benefits of 2-cycle engines, the power density of the less well known opposed-piston engine, and the extraordinary developments in electronics and combustion technology all tied together in a new and proprietary engine architecture, the fledgling powertrain supplier says.

EcoMotors' OPOC engine has a number of distinct advantages over traditional internal combustion engines, say engineers at the firm.

The OPOC engine has a very high power density of nearly one horsepower per pound resulting in an unprecedented lightweight and compact engine layout.

The OPOC engine is perfectly balanced, enabling stackable power modules. This also results in significantly less NVH than a comparable internal combustion engine.

U.S. Military's NASCAR Sponsorships Under Review

By MARK LONG
AP Sports Writer

The National Guard spends about $20 million to sponsor Dale Earnhardt Jr., NASCAR's most popular driver. The U.S. Army pays $7.4 million to sponsor Ryan Newman. The U.S. Air Force doles out $1.6 million to sponsor AJ Allmendinger.

Some lawmakers believe those deals are excessive and unnecessary.

Rep. Betty McCollum, D-Minn., recently proposed an amendment that would have banned the Pentagon from using taxpayer dollars to sponsor NASCAR race teams. The House voted down the proposal last week by a 281-148 vote, but McCollum insisted the fight was far from over.

She planned to introduce broader legislation that would "prohibit taxpayer funds from being used for sponsorship of race cars, dragsters, Indy cars, and motorcycle racing." If passed, it would affect just about every level of motorsports.

"This was a vote about priorities and making smart choices," said Bill Harper, McCollum's chief of staff.

"With trillion dollar federal deficits, this vote to protect taxpayer-funded race cars shows that even a Tea Party Republican-led Congress is not serious about cutting wasteful spending.

"The American people need to know that a majority in Congress is willing to cut homeless veterans, community health centers, and family planning services, but spend millions of tax dollars for race cars."

McCollum's strong beliefs raised eyebrows at Daytona International Speedway, where NASCAR team owners, drivers and military officers kept a close eye on the Capitol Hill debate.

Lt. Gen. Benjamin C. Freakley, in charge of the U.S. Army Accessions Command, was at Daytona to promote a new Army sponsorship of NASCAR's Drive for Diversity program, which aims to develop minority and female drivers and crew members. That sponsorship announcement was postponed because of the House vote.

Instead, Freakley found himself defending the Army" sponsorship of Newman's No. 39 Chevrolet.

Along with Newman's sponsorship, the Army spends another $8 million for NASCAR programs that help recruiting efforts. The Army also spends $3.9 million to sponsor Tony Schumacher's NHRA dragster.

The Air Force's spending on its NASCAR program represents less than 2 percent of its marketing budget, and the National Guard's outlay last year, $32.7 million, represented 14 percent of its marketing budget.

Freakley said the Army's NASCAR sponsorship has dropped more than a third since 2009.

"We have (reduced) the races that we're in, we've (reduced) our sponsorship because it's the American people's money. We recognize that, but, regardless, I have to invest in awareness," Freakley said.

"So, in some venue or another, I have to make some form of investment to make the American people aware of their Army and this is what we think is a good investment based on. . . .return on investment."

Freakley insisted it's money well spent.

He said motorsports marketing generated more than 150,000 leads in 2010, with a third of them coming from NASCAR.

"We know that this is having an impact on our recruiting and helping our recruiters with their job," Freakley said.

``The alternative to this is having a recruiter walk up and down a mall and talk to about 150 people just to get one person to engage with them."

Freakley couldn't say how many recruits actually joined the Army because of the program, but said he hears stories all the time about teenagers who gain interest because of things that happen on or around the track.

Brig. Gen. Balan Ayyar, commander of the Air Force's recruiting, said NASCAR is actually a rather perfect fit for the military.

"We have anecdotal data that suggests that the broad scope of our marketing strategy is working," he said.

However, today there are plenty of skeptics – especially in Washington, D.C.