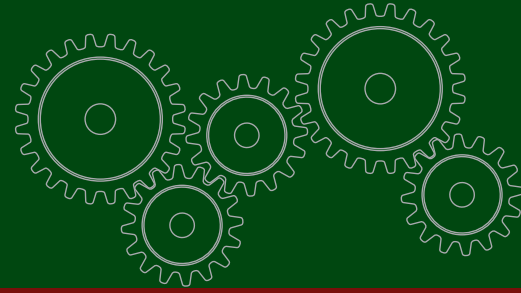




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*Accelerate Your Business*

### NOVEMBER 2007

#### THE ECONOMY:

- In addition to the about \$900 billion of now-suspect securitized debt involved in last summer's subprime meltdown, another link in the consumer debt chain is starting to show signs of strain. There currently is \$915 billion in U.S. credit card debt. (Fortune, November 12).
- Both Kiplinger and Business Week look for the economy to lose momentum in Q4 and carrying on into 2008 compared to Q3's 3.9%. Forecasts of about 2% in Q4 and 1% in Q1 2008 are what they both project as the housing slump, \$90+ a barrel oil, the full brunt of the credit crunch and high gas/heating oil prices all converge. Business confidence is also slipping, putting capital spending and payroll gains at risk.
- Oil and gas prices: Oil closed yesterday (11/6) at \$96.70 a barrel. Gas: AAA said the average price per gallon for regular gas nationwide is now \$3.02, up from \$2.77 last month and up from \$2.20 a year ago (37% jump).

#### OVERALL INDUSTRY:

- for the first 10 months of 2007, total auto industry new car and light-truck sales are down 2.5%, or 346,000 units; all of the Big Three were down (G.M. 6%, Ford 13% and Chrysler 9%) while all of the Top 3 imports were up (Toyota 4%, Honda 3% and Nissan 6%). Full-year sales will be around 16 million compared to 16.6 million last year and will be the poorest year since 1998.
- "Detroit's failure to bring capacity in line with market share has been among its costliest mistakes over the past two decades. The three automakers have shied away from shutting assembly lines because of high fixed costs, notably labor. They relied on two escape routes-incentives and low margin sales to car rental companies and other fleet operators (Chrysler models have recently made up 8 of the top 20 vehicles ordered by car rental groups). (Financial Times, 11/05/07).
- Imports continue to make huge inroads with younger buyers: models with the youngest average age buyers: Scion tC (35-parents probably buy for their much younger kids), VW GTI-38, Mazda 3-38, Mitsubishi Lancer-39 and VW Rabbit-39; oldest: Lincoln Town Car-69; following four all 68-Mercury Grand Marquis, Buick LaCrosse, Buick Lucerne and Cadillac DTS.



- “Toyota slips and Ford Gains in Consumer Reports Reliability Rankings:” Toyota took some hits because of transmission issues in the V-6 Camry, Tundra 4WD and Lexus GS AWD; Ford saw 93% of its models score average or better reliability (vs. 49% at GM and 67% at Chrysler). Comparable #s not cited for anyone else. Toyota was still the most reliable in many specific vehicle segments.
- “AutoNation Direct Becomes Next Step in Internet Era:” AutoNation is testing this program—a start to finish online process for selling new vehicles—in Atlanta. Program also enables a customer to complete the financing process, trade in a vehicle and choose to pick up the new one at the dealership or have it delivered.
- “Haggling Starts to Go The Way of the Tail Fin:” Fixed pricing may be coming to a showroom near you as the Web makes prices more transparent and dealers try to cater to women and Gen Y drivers. Megadealer Lithia, 8<sup>th</sup> largest dealer in the U.S. and with 108 stores, is turning all of its stores into haggle-free zones over the next three years. 72% of women car buyers said they would rather not haggle (65% of consumers overall) and Gen Y doesn’t have the time (average car sale takes 4 1/2 hours). Scion has no haggle, takes 45 minutes.
- “Used Car Buyers Shop Online:” According to a J. D. Power study, 23% of late-model used vehicle buyers used the Internet this year to find a car, up from 16% a year ago.

#### **GENERAL MOTORS:**

- “How GM Handles a Hit: Build Fewer:” Wary of repeating past mistakes, car maker cuts production to keep the Enclave hot. “Nothing destroys the value of a new product faster than over producing,” says Bob Lutz of GM. All of the manufacturers in Detroit are trying to do this to reduce incentives, stop dumping excess cars into car rental fleets. Compared to the Chevrolet HHR—which started out hot but now has a 154 days supply on dealer lots (plus a \$1,500 rebate and tons put into rental service), the Enclave has a 41 days supply (65 is the norm)—no rebates.
- GM says that 40% of its used vehicles are sold to dealers through SmartAuction.

#### **FORD:**

- Ford, unlike with Jaguar and Land Rover (and possibly Volvo) is in no hurry to sell its 33% stake in Mazda. Ford is employing Mazda small-car technology as the basis for a bunch of compact cars sold under various brands, from the Ford Focus to the Volvo S-40 and Cougar in Europe. Ford started with Mazda in 1979 with a 25% stake, upped the ante to 33% in 1996. At its assembly plant in Japan, Mazda can build up to nine models.
- Ford’s annual sales now are 1.3 million units below what they were at the start of the decade—equivalent to the output of five plants.





#### **TOYOTA:**

- “The Dings and Dents of Toyota.” Consumer Reports recently announced that they will stop automatically giving Toyota a “recommended” label to all of its cars and trucks because of some quality issues. Through October, its recalls in the U.S. and Japan have fallen by about half from 2006, but Toyota shares dropped last month when Toyota recalled 470,000 vehicles in Japan-its fifth recall there this year. Consumer Reports will now require a year’s worth of reliability data, as it does for other car makers, before deciding whether it can recommend a Toyota vehicle.
- Toyota to start selling the totally redesigned 2009 Corolla on February 11, 2008 (coincidentally during NADA-or maybe not so coincidentally). 2” wider than current model, Lexus-level interior, Toyota will sell about 390,000 Corollas in the U.S. this year.
- Toyota’s 1/X hybrid concept car, shown at last week’s Tokyo Motor show, will be twice as fuel efficient as the current Prius.

#### **NISSAN:**

- “AdVantage: Nissan is starting to figure out which media outlets drive people to dealerships.” Nissan has kicked into high gear a media modeling tool it developed two years ago to figure out how the company should divvy up the \$930 million it spends to advertise each of its Nissan and Infiniti vehicles across 36 media outlets. They are trying to make advertising more science than art. Until 2004, Nissan, like most auto giants, relied primarily on syndicated market research to determine the success or failure of its campaigns.