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Galloping toward a big sales finish

Hot pace, fresh products point to near-record year

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Light trucks and heavy summer promotions drove up July auto sales to their second strongest pace in nearly 10 years. And as the U.S. industry awaits a wave of new and updated product, that performance is lifting hopes that 2015 could near the industry's all-time sales record.

Among the fresh offerings are a refreshed Nissan Altima, a redesigned Honda Civic, Toyota's updated Tacoma pickup and the redesigned Lexus RX, the luxury brand's top-selling model. General Motors, which reported strong sales of full-size and midsize pickups, expects to see its midsize car sales jump when it begins shipping the 2016 Chevrolet Malibu, due in showrooms in the fall.

■ Lexus poised to contend for luxury crown | PAGE 37 |

"We're pretty much on track for the second best year in history," said Jessica Caldwell, a senior analyst at Edmunds.com. After July's sales were tabulated, Caldwell raised her 2015 sales forecast to 17.2 million vehicles from 16.8 million. The industry's record is 17.4 million cars and light trucks, set in 2000.

There's still more coming in some hot and high-volume segments: Lincoln's new MKX crossover is landing in dealerships now, and a refreshed Honda Accord is scheduled to roll

see **SALES**, Page **37**

VW Golf sales surged in July.

future product pipeline
FOURTH IN A 9-PART SERIES

There used to be no such thing as a Korean luxury car. But now Hyundai and Kia are taking their premium vehicles to the next level. | PAGES 22, 24 |

Hyundai, Kia spread their hybrid bets

7 electrified vehicles on tap

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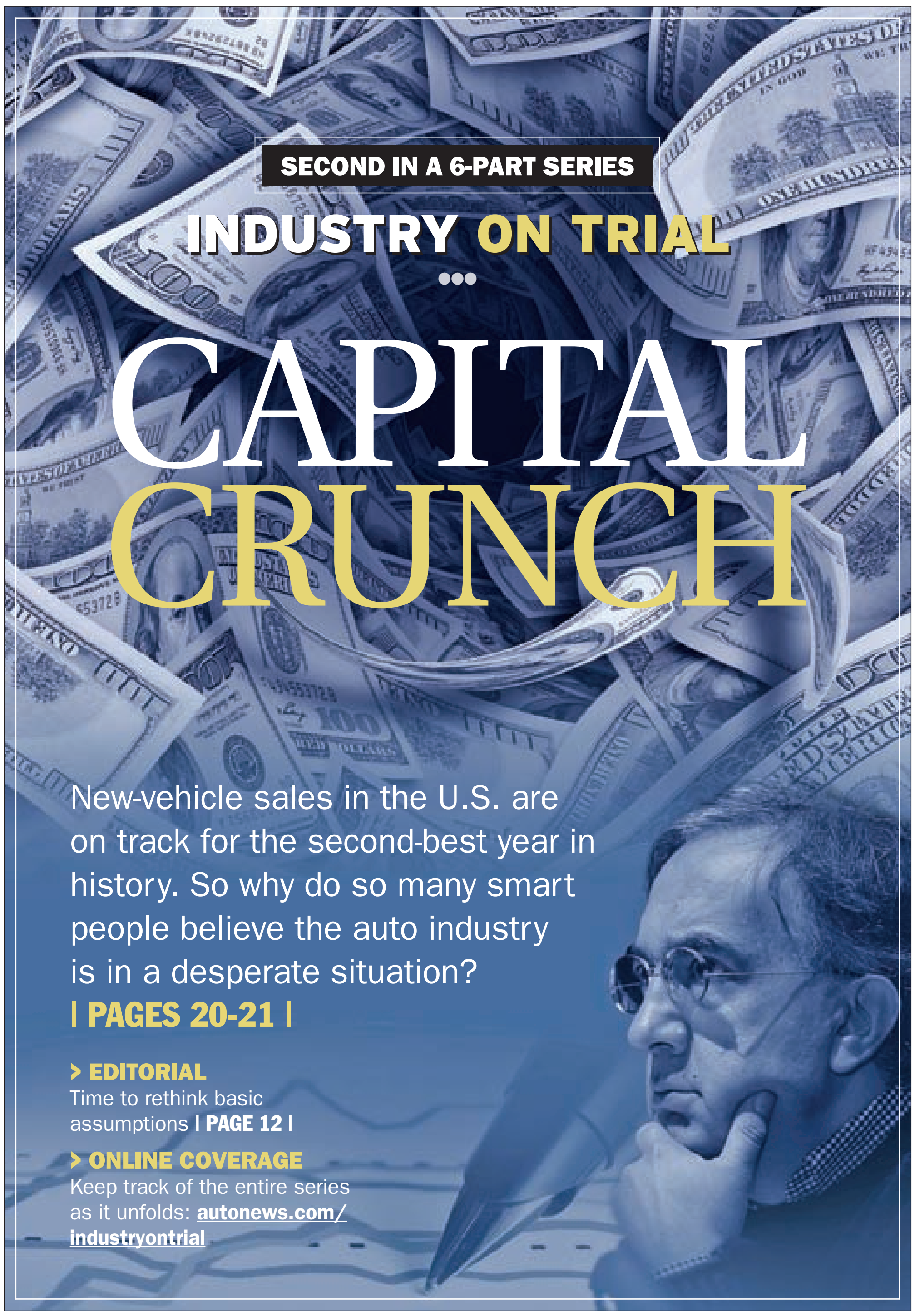
Toyota bet on hybrids like the Prius. Nissan bet on electric vehicles like the Leaf. And General Motors bet, initially at least, on plug-in hybrids like the Chevrolet Volt.

Hyundai Motor Co., it seems, is betting on everything.

Between the 2016 and 2018 model years, Hyundai and Kia will launch four hybrids, two plug-in hybrids and an electric car in the U.S., according to sources familiar with the Korean brands' product plans. The sibling brands will launch their first dedicated hybrids as 2017 models, with each sporting a unique, aerodynamic body style.

"They're doing hybrids, they're doing PHEVs, they're doing pure battery electrics," said Ed Kim, vice president of industry analy-

see **KOREA**, Page **35**



NEWS ANALYSIS

Picking up the pieces at TrueCar

Painter exits as comeback stalls

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It had the makings of a Greek tragedy.

Scott Painter, the founder of TrueCar who had spent more than a decade trying to change the way consumers buy cars, announced last week that he would step down as CEO by year end.

The end came swiftly, but the reasons were clear: a plunging stock price, a batch of dealer lawsuits, a falling-out with the nation's top auto retailer and an earnings surprise that jolted investors.


Painter: Takes responsibility

In his wake, Painter leaves an industry that's embracing greater price transparency, fueled by data and technology. Manufacturers and dealers alike are moving to emulate TrueCar's online price negotiation service with aggressive use of digital tools.

But the comeback Painter sought to engineer at TrueCar after a dealer revolt and near meltdown in 2012 now looks incomplete, and the

see **TRUECAR**, Page **35**

> “Volunteering is part of the conscience of the company.”
>
> **ROBERTO TERAN** *Senior Engineer Ford Motor Company*

Year after year, more Ford employees help out with the annual cleanup organized by the Ford Hispanic Network Group, its number growing from 40 to nearly 200 in the last decade. “And there’s no paperwork!” Teran laughs.

Clark Park is unmistakably Detroit. The heart of the city’s southwest neighborhoods, it is a hub for recreation, leisure and community. When park maintenance funds were cut in the early 1990s, the park might have fallen to ruin if it hadn’t been for local volunteers. For more than 20 years, the Friends of Clark Park Coalition and the Ford Hispanic Network Group have teamed up for an annual cleanup, bringing nearly 200 people from Ford to work in the park for an eight-hour day, totaling 1,600 hours of labor and expertise. It would take years to accomplish what the employees do in one day. “A lot of it is the company’s position on volunteering,” says Roberto Teran, a Ford engineer who helps organize the cleanup each year. “You are working for a company that cares about people and community.” Volunteers paint, make repairs, replace outdated equipment and perform other tasks to maintain Clark Park, a centerpiece of Hispanic culture in the city. “A lot of times, you get to see the kids playing there afterwards. You get to see the fruits of your labor,” Teran says. Find out more at **social.ford.com**.

Ford

Go Further

Here has funded its work on three-dimensional maps by selling traditional navigation maps to automakers.

Mapmaker's team of rival automakers may expand

Here's buyers hope to share costs, benefits with others

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Audi, BMW and Daimler were bound to raise eyebrows around the auto industry by teaming up to buy Here, the dominant supplier of digital maps for in-car navigation.

So the Germans are sending a message to their competitors: Don't fear us. Join us.

The $3.1 billion acquisition of the Nokia subsidiary, announced Monday, Aug. 3, was mainly a defensive move. Audi, BMW and Daimler sought to keep Here from falling into the hands of a Silicon Valley company such as Apple or Uber that wouldn't share their vision.

> **"Maps are a common denominator for everyone. It doesn't make sense for every company to do it themselves. But everyone can benefit from it."**
> Thilo Koslowski
> Gartner

Yet other automakers might have had reason to worry that the new owners could use their control of Here's maps to freeze out their competitors.

To defuse that fear, the German trio is now inviting other car companies to join their consortium, sources say, and share in the development costs and benefits as cars become more automated and connected through maps.

"Maps are a common denominator for everyone," Thilo Koslowski, an analyst at Gartner Inc. in Santa Clara, Calif., said in an interview. "It doesn't make sense for every company to do it themselves. But everyone can benefit from it. ... I believe this deal could ultimately accelerate the realization of self-driving cars by a couple of years."

Everyone working on self-driving cars, from Mercedes-Benz to Google, sees maps as critical. Sensors have limitations, and detailed three-dimensional maps of the world, charting the path of lanes and the position of objects such as fire hydrants and streetlights, make it far easier to follow the rules of the road and avoid crashes.

Here has worked closely with the German automakers on their experimental cars. In 2013, when

see **HERE**, Page **34**

CORRECTIONS

■ A Page 3 story in the Aug. 3 issue misstated one area of disagreement between Volkswagen and Suzuki. According to Suzuki documents, Volkswagen wanted to have its version of a Suzuki A-Star minicar laser-welded rather than spot-welded.

■ A story on Page 69 of the Aug. 3 issue incorrectly reported that the Volkswagen Beetle and Tiguan would be offered with an automatic braking system for the 2016 model year. The story also gave the wrong size for a touch screen offered as part of an upgrade. It is 6.3 inches.

Labeled engine parts are spread across a table for new workers at Infiniti's Decherd, Tenn., plant to learn.

Infiniti engine making isn't a job, it's a craft

To ensure quality, Decherd workers learn to build by hand

PLANT LIFE
FIRST IN A 3-PART SERIES

This week begins our report on three strategic shifts in how the Japanese Big 3 are building engines in America. This series will look at how Nissan is instilling a low-tech Japanese-craftsman mindset in its Tennessee engine workers to prepare them for new expectations of global luxury. We will examine Honda's decision to use radically higher levels of automation in Alabama. And we will show you how Toyota's plan to overhaul its global engine architecture is launching on the shoulders of an aluminum supplier that Toyota bought 25 years ago.

Each of these new directions changes how the automakers build engines. This series will tell you why it's happening.

PHOTOS BY SHIRAZ AHMED

Employees can use their training to flag issues on the engine assembly line.

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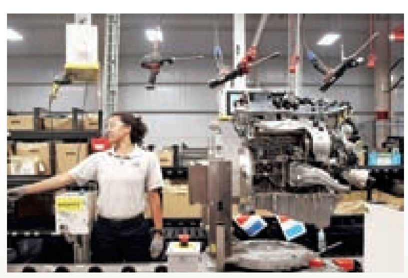
DECHERD, Tenn. — When the oldest of the world's luxury brands partnered with one of the world's youngest to build a new class of engines in Tennessee, quality assurance was a prime concern.

To reassure both Mercedes-Benz and Infiniti, a rural east Tennessee factory turned to a Japanese concept called *takumi*.

Basic English translation: craftsmanship.

The plant borrowed a page from Nissan Motor Co.'s engine line in Yokohama, Japan, where four *takumi* master craftsmen literally hand-build and autograph every 3.8-liter, V-6 engine that goes into Nissan's $100,000-plus GT-R supercar.

But it was just a small page. Yokohama has modest needs — to supply just 1,500 or so GT-Rs a year. Infiniti's year-old plant here is on tap to supply a swelling global demand for its Daimler-designed, 2.0-liter, turbocharged, four-cylinder engines.



COMING NEXT

Aug. 17: In Lincoln, Ala., Honda invests in robots.

Aug. 24: A St. Louis family stamping business evolves into a Toyota *keiretsu*.

A course trainer describes the benefits that hand building an engine can bring. Go to autonews.com/takumi

The plant, built by Nissan to supply both Infiniti and its Renault-Nissan Alliance partner Daimler, has a capacity of 250,000 engines per year. The Decherd plant already ships its engines to the new

Upon completion of the engine-building course, employees receive a certificate. At left: Infiniti says its strategy fills the plant with problem solvers.

Mercedes C-class production line in Vance, Ala., which recently notified Infiniti it would take every engine it could send. The plant supplied the global Infiniti Q50 production line in Japan as well as another Infiniti vehicle line in China. And later this year, Decherd will begin shipping still more of the four-cylinder en-

see **INFINITI**, Page **33**

Regulator's reminder: 54.5 mpg goal isn't final yet

Speech highlights tension over feds' emissions rules

Richard Truett
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TRAVERSE CITY, Mich. — The strict federal fuel economy targets that have triggered furious re-engineering, and some hand-wringing, across the auto industry should be regarded as just a rough draft for now.

That reminder came from Christopher Grundler, the EPA's top auto industry regulator, who sought to dispel the notion that the Obama administration's 54.5 mpg corporate fleet average targeted for the 2025 model year is already set in stone.

Grundler: Final decision by EPA administrator

"There is a perception out here that the decision is already made," Grundler said last week at the Center for Automotive Research's Management Briefing Seminars here. "That is wrong. The EPA administrator makes the final decision, and he will work for the next president."

Grundler's comments — made in a speech to a crowd of auto industry executives, engineers, academics and reporters — underscore the simmering tension between regulators seeking to uphold a key piece of the Obama administration's plan to curb greenhouse gas emissions and

see **GRUNDLER**, Page **34**

Bethke **DiSalle** **Wager**

Hear marketing execs on getting messages heard

With a constantly changing marketing landscape, how are you ensuring that your message is on target, fluid and reaching new and diverse consumers?

Three influential automotive marketing executives will discuss the topic at the Automotive News Marketing Seminar on Sept. 22 at the New York Marriott Marquis.

"Marketing's New Mantra: Diversity, Flexibility and Mobility" is the theme of this year's event.

The panelists include:

- Alan Bethke, vice president, marketing, Subaru of America
- Tony DiSalle, U.S. vice president, marketing, Buick and GMC
- Russell Wager, vice president, marketing, Mazda North American Operations

The event attracts more than 700 members of the East Coast marketing community.

Admission is $295, or $2,750 for a table of 10. AN

Key facts

What: Automotive News Marketing Seminar
When: 12:30 p.m. Sept. 22
Where: New York Marriott Marquis
Cost: $295 for a ticket, $2,750 for a reserved table of 10
Exclusive lead sponsor: Tremor Video
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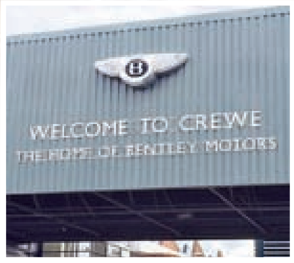
PHOTOS BY DIANA T. KURYLKO



HANDCRAFTED BENTLEYS

Brand augments W-12s with leather, wood – and sewing needles

Diana T. Kurylko
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CREWE, England — Bentley Motors hopes to use a strategy of handcraftsmanship vs. machinery to distance itself from competitors creeping into its ultraluxury turf.

Leather and genuine wood are lavished on the interiors and seats of Bentley cars. Much of the work is done by hand at this factory site, the Pyms Lane plant, made up of World War II-era brick buildings.

When Volkswagen AG purchased Bentley in 1998, it inherited the plant, where sibling brand Rolls-Royce cars also were made. Rolls-Royce was sold to BMW AG in the same year and now has a plant built by its new owner.

VW has pumped 1 billion euros ($1.1 billion) into the 1,630,969 square feet of plant space sprawled over a massive site.

Duerheimer: "Certified center of excellence"

The factory produced 11,020 cars last year, half of them from the Continental family of sedans, coupes and convertibles. The Continental GT was the first model developed under VW to roll off the plant's assembly lines, in 2003.

But before the cars come off assembly, they undergo handwork, considerably more than those of the premium European competitors, including Rolls-Royce and Maybach, Bentley managers at the factory said.

Inside, sewing machines whirl in the trim and seat department. Thin, fragile wood veneers are carefully handled by gloved experts. Potential customers walk through the factory with a Bentley expert, looking at an extensive rack of tablecloth-sized bull hides in various hues and shades, touching them to feel the softness.

'Perfect British design'

CEO Wolfgang Duerheimer said in an interview earlier this year that "high performance — perfect design — perfect British design" would continue to be Bentley's competitive hallmark.

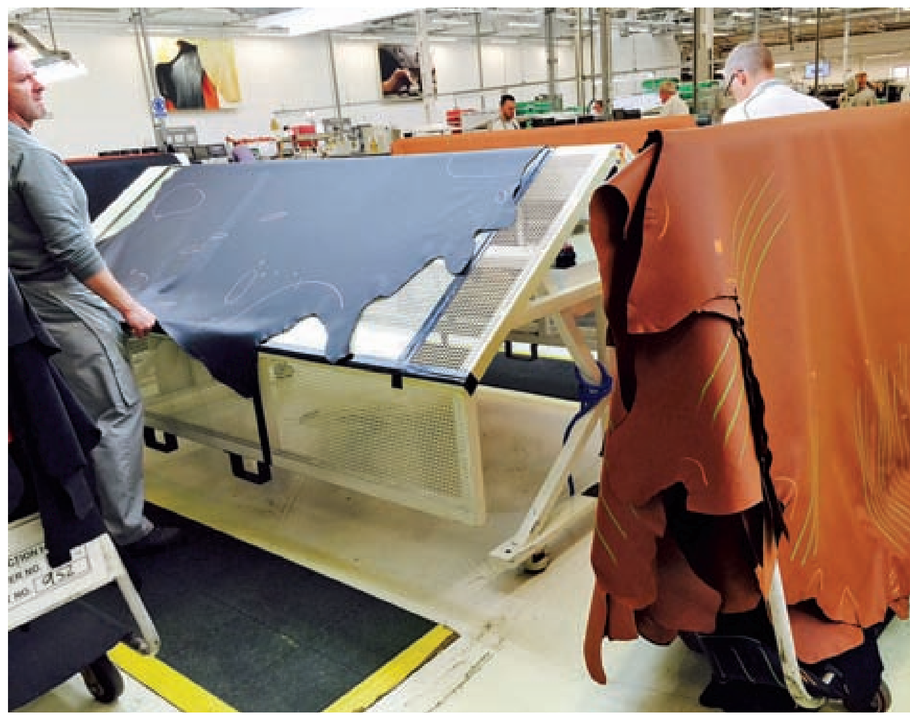
"What can Bentley contribute to the Volkswagen Group? We are the certified center of excellence for wood and leather, and it is my plan to expand it to other areas."

Duerheimer said one of those areas is the production of high-performance engines, particularly the W-12 powerplant the factory makes for Bentley and for Audi.

On average, the plant builds 50 Continentals and Flying Spurs and five Mulsannes each day. The Continental GT V-8 starts at $201,225 — about $10,000 more than the Mercedes-Maybach S600 which starts at $190,275.

The Mulsanne sedan has few peers with its $309,425 sticker. All prices in-

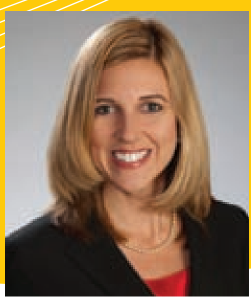
see **BENTLEY**, Page **34**



Workers at Bentley Motors' Pyms Lane plant in Crewe, England, mark flaws in bull hides that will have to be cut out. Bentley won't use leather with imperfections.

At left, about 75 employees sew seats and trims. Noel Thompson, right, uses a kitchen fork to poke markings for hand-stitching on leather for a steering wheel.

LEADING BY EXAMPLE



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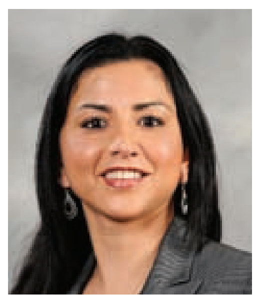

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Mazda sketch of the Koeru concept

Mazda concept in Frankfurt may preview CX-3 or CX-5 variant

TOKYO — Mazda's Koeru crossover concept at next month's Frankfurt auto show could preview a sporty Mazdaspeed version of the CX-3 or CX-5 crossover, or a freshening of the CX-5.

It also may foreshadow the CX-9 replacement. An update of the large crossover is expected to debut in November at the Los Angeles Auto Show and go on sale early next year.

A spokesman said the Koeru would be a close-to-production concept, but did not give specifications or dimensions.

— Hans Greimel

BMW preps 400-hp quad-turbo diesel, report says

BMW is working on a quad-turbo engine, says British magazine *Autocar*. The company offers a tri-turbo in the X5 xDrive50d M Performance and the M550d, adding an electrically driven turbocharger for extra low-end boost pressure.

To make it a quad-turbo, BMW would add another electrically driven turbo, or could simply add a second bi-turbo to the diesel inline-six.

The quad-turbo inline-six diesel engine is expected to debut in the M750d 7-series sedan in 2016, *Autocar* says. The engine could develop more than 400 hp and 590 pounds-feet of torque.

— Autoweek

Volkswagen Jetta

VW Jetta to get new 1.4-liter turbocharged engine

A downsized, turbocharged engine will replace the aging four-cylinder in the entry-level Volkswagen Jetta.

The new 1.4-liter four-cylinder is the latest iteration of VW's EA211 small-displacement engine family. It has aluminum construction, dual-overhead camshafts, gasoline direct injection and variable valve timing.

The engine produces 150 hp and 184 pounds-feet of torque. That's a big jump from the 115 hp and 125 pounds-feet generated by the engine it replaces, a naturally aspirated 2.0-liter, single-cam engine that dates back to the mid-1990s.

— Ryan Beene

GM, Honda cut cost of fuel cell stack

Since General Motors and Honda teamed to develop hydrogen-powered fuel cell vehicles two years ago, the partners have slashed the size, weight and cost of the fuel cell stack, the chemical processor that combines hydrogen and oxygen to make electricity that powers the vehicle.

Charlie Freese, GM's head of global fuel cell engineering, spoke with Staff Reporter Richard Truett.

Q: Does the fuel cell stack continue to shrink?

A: Absolutely. It shrinks in active area [the part of the cell that produces electricity]. And it shrinks in the height of the stack, the number of cells and how much current we can put through it. All the stuff that makes it work also shrinks: the compressors, injectors and all the manifolding. There is a lot of opportunity there.

Freese: Standard parts

How's the progress on the fuel cell stack?

It's coming down very, very quickly in terms of precious metal loading. The workhorse fuel cell stacks have 29 grams of platinum. The next-gen stack is down in the 10 gram range. The next generation is running in our laboratory now. Weight is down by almost one half. Size is also down by almost one half. And cost has come down in orders of magnitude.

Why did GM and Honda partner?

A fuel cell has got some parts that you just have to standardize and get the volume up. Doing that alone in a low-volume environment will always be a tough scenario.

Will the product share components?

The idea is we have a single part number between both companies. So we can get the scale and reduce the cost of development. AN

Jaguar F-Pace drops camouflage before Frankfurt debut

Jaguar has released photos of the F-Pace crossover undergoing extreme cold weather testing before its debut next month at the Frankfurt auto show. The F-Pace, shown at Jag's testing site in Arjeplog, Sweden, goes on sale in the U.S. in early 2016. The crossover largely keeps the design and proportions of the C-X17 concept. Jaguar was careful not to make it a direct competitor with its Range Rover Evoque stablemate, which is marginally smaller, and to offer packaging different from the Land Rover Discovery Sport. The F-Pace will aim squarely at on-road performance.

Another BMW i entry? 'There is space'

Krueger: Room between the i3, i8

BMW CEO Harald Krueger says there could be room for a new electrified car between the i3 and the i8.

"There is space if you look at it from the number point of view," Krueger told the German newspaper *Frankfurter Allgemeine Sonntagszeitung*.

Reports have said the vehicle could be a sedan called the i5 based on the 5 series. It would be sold as a plug-in hybrid and as an electric car that would compete against the Tesla Model S.

BMW already sells the i3 battery-powered compact hatchback and i8 plug-in hybrid sports car.

— Reuters

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MANAGEMENT BRIEFING SEMINARS

GREG HORVATH

Lexus' Bracken: No-haggle pricing should "further elevate transaction transparency and customer care."

'Dealers set the price, and that's the price'

Lexus tests multicity no-haggle retail sales program

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TRAVERSE CITY, Mich. — Lexus will take on one of the car business's most troublesome traditions next year — haggling with customers over vehicle prices — as the brand enlists dealer volunteers and allows them to set their own firm prices.

Lexus revealed last week that it is launching a multicity dealer pilot program for "non-negotiation" retail sales. Throughout 2016, 12 of the luxury brand's 236 U.S. dealers will try to sell vehicles at set prices that will make customers happier — Lexus hopes — while still allowing the retailers to make money.

"While negotiation-free pricing is not revolutionary, we strongly believe the concept will further elevate transaction transparency and customer care," Jeff Bracken, Lexus general manager, told an audience at the Center for Automotive Research's Management Briefing Seminars here.

The devil will be in the details, Bracken acknowledges.

"The dealers set the price, and that's the price," Bracken told *Automotive News* after his presentation. "There's no wiggle room — that's the price.

see **LEXUS**, Page **35**

GM: New 'no-bid' strategy catches on with suppliers

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TRAVERSE CITY, Mich. — For General Motors' suppliers, no-bid contracts have become the norm rather than the exception, now that GM has rolled out a parts-buying program that forgoes traditional bidding.

GM purchasing chief Steve Kiefer says the program, dubbed the One Cost Model, has been used to negotiate purchasing contracts worth billions of dollars.

Only a handful of suppliers have declined to participate, Kiefer said.

"There has been some controversy about the program, but I think there is growing acceptance," Kiefer said last week in an interview here. A handful of suppliers declined to allow GM's team to visit their factories and study their books, and "we're continuing to talk to them," he said.

Under the program, GM dispatches a team of engineers and purchasing staffers to visit a supplier's factories and analyze its internal cost data. If GM and the supplier can agree to terms, the supplier can get a contract for the life of a vehicle. In return, GM does not solicit bids from other suppliers.

Each year, GM and the supplier update the cost analysis to see whether the supplier can cut costs.

On Nov. 6, GM gave suppliers an in-depth explanation of the program. Since then, Kiefer said, the automaker has used the One Cost Model in its dealings with nearly all of its Tier 1 suppliers.

GREG HORVATH

GM's Kiefer at the Management Briefing Seminars. He said the One Cost Model has been used to negotiate contracts worth billions of dollars.

As a result, participating suppliers get an early look at GM's product plans, with an opportunity to propose cost-saving ideas before GM freezes the vehicle design.

The One Cost Model helps GM develop more realistic cost analyses for vehicle programs. But it requires a high degree of trust between GM and its suppliers, a quality in short supply in years past.

But Kiefer says GM's program is gaining acceptance. AN

FCA swaps cudgel for counsel

Warmth, caution greet purchasing revisions

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A year after Fiat Chrysler CEO Sergio Marchionne blasted suppliers for their double-digit profit margins, the company has changed its tune and is adopting a more supplier-friendly approach in its purchasing operations.

FCA purchasing chief Tom Finelli told parts makers last week at the Center for Automotive Research's Management Briefing Seminars in Traverse City, Mich., that the company no longer would hold its parts buyers to individual cost-saving goals.

Those targets had effectively tied the buyers' hands if a supplier sought pricing relief or offered a higher-quality component because failure to achieve cost-saving goals reduced the buyers' individual compensation.

"This sort of hit us across the face a few weeks ago," said Finelli, FCA's purchasing boss since August 2014. "We realized that our relations with suppliers were positive at the leadership level but were struggling at the buyer level."

Finelli: Change was needed.

The new policy takes effect in January. It was greeted warmly, if cautiously, by suppliers. A year ago in Traverse City, many of them were stunned when Marchionne said he wanted to "share" in suppliers' healthy profits.

"I'm not 100 percent sure it will help [FCA], but I think it takes a lot of pressure off of the buyers," said Tom Bommarito, FCA business unit director for supplier Flex-N-Gate Corp. "We have a lot of young buyers, and honestly, a lot of them are scared to death."

Bommarito said Flex-N-Gate does "a little over $1 billion a year" with FCA, selling parts such as pickup bumpers.

"These productivity givebacks year on year are really a struggle," he said. "It gets really contentious. Taking [the savings goals] up a couple of notches takes a lot of pressure off of the younger folks in the cubicles."

Finelli said FCA still aims to keep costs in check, but that teams of buyers would work together to meet goals. Buyers can miss their individual targets and allow higher prices, but their compensation wouldn't necessarily be cut if the team meets its goal.

The new plan also lets parts buyers choose a higher quality part, even when a lower cost one is available, he said.

Finelli said consumer-judged quality has replaced cost as the first consideration when FCA buys parts.

Before, cost was the first hurdle a supplier had to clear to stay in consideration.

In its annual supplier survey this spring, Planning Perspectives Inc. said FCA tied for last among six major automakers in the U.S. in supplier relations, getting nicked for slow payments and failing to help vendors cut costs.

Finelli said, "We felt that a dramatic shift was required." AN

Cadillac works to revise dealer incentives

De Nysschen: Old sales-based plans hinder lux mindset

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ELKHART LAKE, Wis. — Two main elements of Johan de Nysschen's plan to rehabilitate Cadillac's image are to tighten dealers' inventories and quash their sell-at-any-cost mentality.

There's a big problem though: Cadillac's dealer-incentive programs today are designed to do just the opposite. One makes cash payouts for growing sales; the other attaches up to $700 in dealer bonus money to every vehicle they order from the factory.

De Nysschen, Cadillac's president, says those programs must change for dealers to adopt a true luxury mindset, one based on an engaging customer experience, rather than sales volume.

Mixed messages

Johan de Nysschen's brand strategy for Cadillac is out of sync with the luxury make's main dealer-incentive programs.

- **Essential Brand Elements:** Helps dealers defray the cost of renovating stores or building new ones. Dealers qualify by adhering to Cadillac's facility standards, among other criteria, and receive $400 to $700 per vehicle ordered. Expires in fall 2016.
- **Standards For Excellence:** Dealers pay a fee upfront for the chance to get paid a quarterly bonus if they hit certain sales growth targets. Quarterly bonuses can range from less than $10,000 for small dealerships to more than $200,000 for bigger stores.


BLOOMBERG
Johan de Nysschen

"The business model has been structured more for the bigger brands inside General Motors, rather than the small Cadillac brand," de Nysschen said here at a test drive event for the media. "The luxury business is different."

He said Cadillac is in talks with its national dealer council "to develop the next generation of what these programs should look like for Cadillac."

It's an example of the obstacles de Nysschen faces in reshaping Cadillac's retail network into something that more closely resembles those of German luxury brands such as BMW or Audi. Most of Cadillac's more than 900 dealerships are hard-wired to carry far more inventory than other luxury stores, often moving the metal through deep discounts.

A Midwest Cadillac dealer, who didn't want to be identified discussing factory business, believes it would be difficult for many dealers to fathom an incentive program that's not tied to sales performance.

"There's only one thing that matters, and it's selling more cars," said the dealer, who said he sells a couple dozen Cadillacs a month. "I did not come in here today to buy more digital stuff for the showroom."

Taken together, the two incentive programs provide an important revenue stream that many dealerships depend on to pad their bottom lines.

Essential Brand Elements, or EBE, expires in fall of 2016. GM introduced it in 2009 across the Chevrolet, Buick-GMC and Cadillac sales channels, primarily to defray the cost of renovating dealerships or building new ones.

Dealers qualify for EBE by adhering to Cadillac's facility standards, along with jumping through less onerous hoops, such as employee training. They're paid $400 to $700 per vehicle they order, depending on volumes.

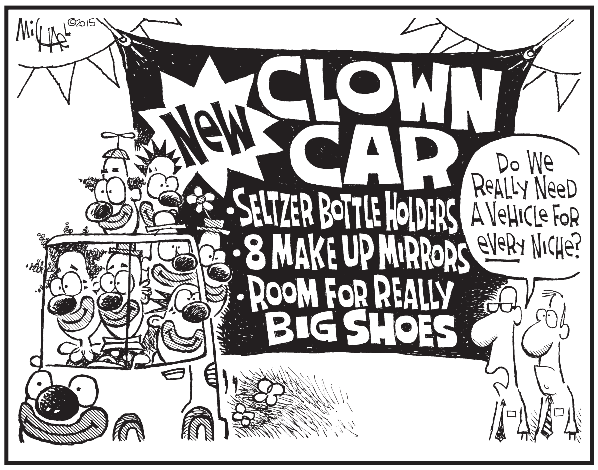
The other program is Standards For Excellence, in place since at least the mid-1990s. Dealers pay a fee upfront for the chance to get paid a quarterly bonus if they hit certain targets. The main hurdle is to sell at least one more vehicle than in the year-earlier quarter. That pays 80 percent of the quarterly bonus, which can range from less than $10,000 for small dealerships to more than $200,000 for bigger stores.

De Nysschen says he would like to keep a pot of money to reward "top-performing dealers," but not necessarily those who are increasing sales fastest.

Instead, he wants to pay dealers "in terms of the overall support to the brand." That could mean benchmarks for customer satisfaction scores, for example. Or it could include requirements to have adequate employee-recruiting processes in place or in-store digital displays.

"What I see as the future model of what comes next after SFE and EBE is to have a system that also drives the right behaviors," de Nysschen said. "If you don't exhibit the right behaviors, you won't be rewarded." AN

opinion



Conventional wisdom on industry needs rethinking

Even in the midst of its best profitability in decades, the global auto industry faces a strategic threat to its existence.

Fiat Chrysler Automobiles CEO Sergio Marchionne said it: The industry makes meager profits while burning huge amounts of capital.

He wasn't first. Wall Street has said it for decades. Thoughtful industry folks have said so privately for years. But Marchionne is the car exec who said it publicly, with PowerPoint slides.

The message is simple: The auto industry requires stupendous amounts of capital.

It doesn't recoup the capital it spends, destroying shareholder value.

That should be apparent from General Motors' two-generation descent from world's largest corporation to bankruptcy over a trail of write-offs and accounting tricks. Or from the bones of hundreds of automakers that ran out of capital, from Packard and Studebaker to Rover and American Motors.

Auto industry veterans are inured to low rewards. Modest returns on capital seem normal. So what?

But Marchionne sees a coming capital crunch to develop autonomous driving, connected-car technology, alternative powertrains and shared-mobility solutions.

Consulting firm AlixPartners sees growth slowing and few existing players with enough scale to invest in all those technologies.

And the scent of disruption is attracting cash-rich newcomers sensing fresh opportunity.

That's a picture of a slow-growth industry on the cusp of fundamental change, pitting flush newcomers against experienced incumbents seeking investors despite a centurylong track record of low returns on capital.

It's uncertain where the auto industry is headed. But conventional responses, even bold ones, may not continue to work.

Companies must adapt by re-examining assumptions, expanding contingency plans, monitoring competitors more closely and bolstering relationships with vendors and customers.

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FROM THE PUBLISHER

Fore! A full recovery takes flight

TRAVERSE CITY, Mich. — The rounds of golf on the long, undulating courses are fewer — down dramatically from the clogged tee times during the prerecession heyday. The after-hours parties are smaller and quieter. And more and more executives who used to make the trip here to northern Michigan are matter-of-fact in saying that they are only in for a day, then quickly out and back to the office.

The Center for Automotive Research celebrated a half century of its supplier-rich Management Briefing Seminars last week.

Fifty years of tradition rest here along Grand Traverse Bay, but there's also the real feel that the industry is stepping into uncharted waters.

Why is the ritualistic social event of the summer smaller?

Listen to the executives for the answer: The pace of the industry has never been faster.

The auto business, particularly in North America, is moving at a clip that's difficult to harness — and everyone wants in. Yesterday.

One consultant to Ford talked about a busier August than any in his previous two decades. A stamping supplier mentioned the XL-sized outlays for exhibit space at next month's Frankfurt auto show — a level of investment that feels about five years ahead of the 2020 prediction for a full European recovery.

And then there was the firecracker of the sessions when General Motors' chief economist, Mustafa Mohatarem, talked about a U.S. light-vehicle sales record this year or next — surpassing the 17.4 million mark set in 2000.

Jason Stein is publisher and editor of Automotive News.

"I have full confidence that in this cycle we will see the U.S. at an all-time record," he said, citing low inflation and fuel prices and the fact that more young people are finding jobs.

In the hallways here, some people even whispered 18 million sales.

For an industry that has been prone to amnesia, is this just a cruel setup for a huge correction?

Not this time.

What's not said is what lingers in every conversation — from automakers to suppliers to affiliated players: There is still a general unease about adding too much capital expenditure too quickly. Some months ago we called it "rational exuberance."

The auto business, particularly in North America, is moving at a clip that's difficult to harness — and everyone wants in. Yesterday.

That seems to fit.

Maybe the trough was deep enough to keep sane people from doing the insane. Maybe the scars from 2009 are still too vivid.

Whatever it is, the fundamentals of the business have been right for some time.

The growth is steady and sure. And the partnerships brokered through the "survival years" have fostered better relationships.

People are working. The world is spinning. The price: The golf clubs are packed away, and maybe for good.

You may email Jason Stein at jstein@crain.com.

LETTERS TO THE EDITOR

An impressive 'depth of perspective'

To the Editor:

I was awestruck by the depth of perspective you presented in the first part of "Industry on Trial" ("Sergio was right," Aug. 3). It easily reached the level of a Harvard Business School case study.

I hope one of the following segments will include members of the capital market industry discussing their perspective.

WILLIAM CAMBRIDGE
Vancouver, British Columbia

Autonomous cars will bring change

To the Editor:

Regarding "Industry on Trial": I think the capital-intensive business model will change when autonomous cars become ubiquitous — around 2050, in my opinion.

Once crashworthiness and emissions requirements become irrelevant, the architecture of the automobile will become drastically different — essentially electrified vehicles with common chassis components and electric powertrain — with differentiated bodies. When that happens, the Apple business model starts to make sense.

Yes, Google and Apple may be the first guys out there with such vehicles (although they may have automotive partners). They, too, will be capital destroyers, like Tesla, until they become profitable.

The business model will change as well: Outright ownership will diminish as lease and spot rental take over. Who needs to own a car if you can call up an autonomous one on your phone? I suspect future manufacturers will become rental companies as they try and capture diminishing manufacturing revenue. (Deja vu: Ford buys Hertz!) Cars will then be maintained and refurbished for longer service life.

CHRIS THEODORE
President
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Birmingham, Mich.
The writer is a former engineering vice president at Chrysler and Ford Motor Co.

Consolidation is not the only answer

To the Editor:

"Confessions of a Capital Junkie" presented the burning platform of capital inefficiency in a compelling way but did not draw a logical conclusion. It jumped to the simple idea of industry consolidation as the only answer.

In an industry that calculates the unit cost of a nut and bolt to one-hundredth of a cent, that seems like a superficial conclusion.

There are dozens of other ways to improve capital efficiency, and everyone in the industry knows them. Let's look at a few examples:

■ **Globalization:** Sure we have to build plants to serve local markets, and Africa will be the next big step — but we do not need to spend $1 billion to do it. Wealthy Westerners think big, but cost-conscious Asians think much smaller and more cost-efficient.

■ **Top-Hat life cycle:** There was a time when Mercedes, Volkswagen and Range Rover enjoyed excellent resale values based on long Top-Hat life cycles, but not anymore. Everyone is on the three-to-four-year fad. With an average American vehicle fleet age of over 11 years, why do we do that? If we aim for annual fashion parades, then manufacturing process technology must radically change to make it affordable; $1 million stamping and injection molding dies are not the solution.

■ **Powertrain fragmentation:** This is inevitable over the next decade, but we will eventually focus on the best environmental solutions, and they will probably involve electric motors. Here we have to learn from the domestic appliance industry.

No matter what brand of washer or dryer you choose, you probably do not choose on the basis of who makes the electric motor. Global parts sharing among *all* automakers is fundamental for future capital efficiency. If the customer cannot see it, touch it, feel it, hear it or smell it, it probably should be globally common.

■ **Advanced driver assistance systems and autonomous vehicles:** There are huge opportunities for big suppliers and Facebook-type valuations for companies like Mobileye. What's in it for the carmakers other than billions in lawsuits that will certainly reduce capital efficiency? Furthermore, customers do not have a clue about the technologies.

Sergio: There are *lots* of opportunities for capital efficiency other than industry consolidation.

ALAN D. MARTIN
Managing Partner
MergerChoices LLC
Bradenton, Fla.

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Mel Farr, former Detroit dealer, dies

Arlena Sawyers
asawyers@crain.com

DETROIT — Mel Farr, a former Detroit Lions running back who once headed the largest black-owned dealership group in the country, died Monday, Aug. 3.

He was 70.

Farr started in retail automotive as a Ford dealer in 1975, two years after his career with the Detroit Lions ended. Building on his local celebrity status as a football star, Farr donned a cape and starred in ads that depicted him as "Mel Farr, Superstar" flying through the air.

His brand promotion worked, helping him to build the first black-owned dealership group to break the $500 million revenue mark.

Mel Farr Automotive Group's biggest year for revenue was 1998 at $568.4 million. That year the group's 11 dealerships representing 13 franchises sold 9,297 new and 8,676 used units at retail and 11,888 fleet units.

Farr: No. 1 black-owned U.S. dealership group

Black Enterprise ranked Mel Farr Automotive as the nation's largest black-owned dealership group. The business publication ranks black-owned businesses in several categories, including automobile dealerships. Rankings are based on the previous year's dollar sales.

At the peak of his auto career, Farr also owned a stand-alone used-car dealership and Triple M Financing Co., which specialized in subprime financing.

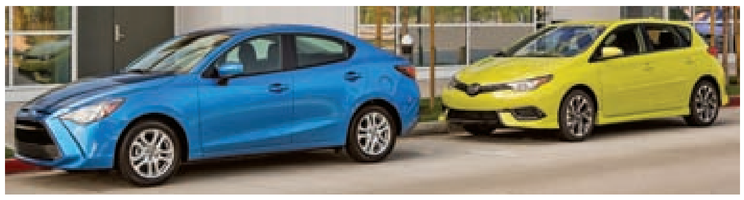
Last month, at the annual meeting of the National Association of Minority Automobile Dealers in Orlando, Fla., Farr and other pioneer minority dealers were honored for their contributions to the association and the retail auto industry.

Farr served as the chairman of NAMAD in 1991 and 1992 and president of the Black Ford and Lincoln Mercury Dealers, the predecessor to the Ford Minority Dealers Association, in 1994. AN

Scion: Less choice is more

Single-trim strategy benefits dealers but also has risks

David Undercoffler
undercoffler@crain.com



Scion's iA sedan, left, and iM hatchback are to go on sale next month.

SAN FRANCISCO — Henry Ford would have liked Scion's approach to selling cars: Buyers can have any feature they want as long as it's standard.

Scion has always offered its cars in a variety of colors (Sizzling Crimson Mica, anyone?) and a choice of manual or automatic transmission. But the factory-installed options on every Scion end there. And the brand is sticking with that single-trim strategy as it prepares to add two critical new products to its thin lineup next month.

Plenty of automakers limit the number of a la carte options or even packages as a way to reduce manufacturing complexity and time. For Scion, the rationale is different. After all, several of its models are built for other markets where they are sold with options.

For one thing, the single-trim approach helps the brand maintain its value-oriented image, said Doug Murtha, Scion's group vice president, during a media event here.

Scion's cars appeal mostly to consumers seeking to get into a new car for about $20,000, with little extra budget for options. "To be honest, folks are reaching to get into a lot of these cars to begin with," Murtha told *Automotive News*.

Though a few customers may be willing to spend another $1,000 for leather seats or a moonroof, Murtha said, "are they necessarily our target customer, and is it worth the trade-off? We've said no from an inventory standpoint."

Simpler inventory management is another key benefit for Scion dealers, most of whom also carry the Toyota brand, with its far richer assortment of vehicles. "You don't have to stock hundreds of models of a car to satisfy one customer," said Ray Reilly, a senior vice president at Larry H. Miller Dealerships.

At the same time, a robust catalog of dealer-installed accessories allows customization when a dealer or buyer wants it.

Because Scion targets a higher percentage of first-time new-car buyers than most brands, a straightforward pricing setup is important, Murtha said.

Scion has stuck with the single-trim system since it started selling cars in 2003. Its latest models, the long-awaited iA compact sedan and iM five-door hatchback, will follow the same practice when they go on sale in September.

Scion hopes the new products will help it end a 26-month streak of year-on-year sales declines. This year's U.S. sales through July were down 20 percent from a year earlier.

The iA will start at $16,495 and the iM will start at $19,255, including shipping.

The one-size-fits-all approach could deter some customers looking for a specific feature that isn't included on the cars. It also forces Scion to carefully calibrate its offerings to ensure that young consumers aren't turned off by a lack of choice.

"The risk is going to be matching that vehicle with as high a percentage of buyers as possible," said Mike Wall, auto analyst at IHS. "If you don't thread that needle just right, you could lose some sales."

Still, for a brand aimed at young and first-time buyers, streamlining the choices is a smart move, he said.

Wall added: "Remember that the younger buyer could have just come from the Apple store and picked up a phone where there are very few configuration choices." AN

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BEST PRACTICES

THOROUGHBRED FORD, KANSAS CITY, MO.

It takes green to go green at dealership

$100,000 effort to replace bulbs part of environmental focus

Richard Truett
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It takes money to go green.

At Thoroughbred Ford in Kansas City, Mo., about 500 incandescent lights above the lot are being replaced with expensive, commercial-grade LED bulbs at a cost of more than $100,000.

E-Commerce Director George O'Sullivan cites the new bulbs as the most prominent of Thoroughbred's efforts to green up the way it does business.

Other green initiatives include:

■ Moving transactions from paper to electronic. O'Sullivan says the amount of paper generated by new-car transactions is being reduced by two-thirds. On a new-car sale, one paper copy of the buyer's order is made and handed to the customer. Then, it's scanned into the store's computer system.

"We're probably using about half the paper we were 15 months ago" overall at the dealership, said O' Sullivan.

■ Collecting old motor oil year round to fuel the service department's heating system in the winter. That part of the store is notoriously hard to keep warm because the garage doors are constantly opening.

■ Becoming the highest-volume Ford dealer in its market area in hybrids and electrics. When Ford launched its Fusion and C-Max hybrids and the Focus electric, Thoroughbred made them visible in the community by putting salespeople and their families in them.

"They are not the easiest sell in the Midwest, especially to highway drivers," O'Sullivan said. "As hybrid technology has improved, that has made it much easier. We took it very seriously and started pushing them." The store offers a free public charging station, which is used by customers and employees of local businesses, said O'Sullivan.

■ Protecting the ground from toxic chemicals. Thoroughbred stores caustic materials in double-walled containers kept in secure areas.

The dealership sells about 250 new and used vehicles combined per month.

Greenlighting it

A Kansas City Ford dealership is buying expensive LED lightbulbs, eliminating paper and taking various other steps to save money and go green.

Saving 40 percent

Reducing the store's environmental impact makes good economic sense, O'Sullivan says.

The biggest savings will come from the switch to LED lights, which are expected to shave 40 to 45 percent off the store's monthly electric bills. However, because of the high cost of the LEDs, he says the lights won't pay for themselves right away.

LEDs can cost as much as 10 times more than incandescent bulbs. The return on investment comes in the amount of energy LEDs save and their long life span.

The U.S. Department of Energy says an LED bulb can last between 25,000 and 35,000 hours, compared with about 1,000 hours for a regular lightbulb. That means the store will spend less on maintenance.

O'Sullivan says LEDs eventually will be installed in every socket in the store. "We've already started inside replacing lights. As [incandescent] lights burn out, we're replacing then with LED bulbs," he said.

"In the end, you will earn the money back in about two years. There's a 10-year warranty on bulbs, so that's eight years of reaping the benefit."

JOE RUTH

George O'Sullivan, e-commerce director at Thoroughbred Ford, and Corporate Attorney Stephanie Porter with a new LED light. The store is replacing 500 lights above the lot with LEDs and eventually will install them in every socket inside, says O'Sullivan. The dealership also is reducing paper use and reusing motor oil for heating.

No boasting

Thoroughbred doesn't boast of its green initiatives, O'Sullivan said, in part because the company sells a lot of SUVs and pickups.

"Maybe that's something we'll do in the future. It's kind of hard as a car company saying we're green when we are selling the big SUVs," O'Sullivan. "But you do the things that you can do to save money."

O'Sullivan, 51, has worked in dealerships for two decades. He said the public's growing acceptance of environmental causes surprises him.

"If you told me 20 years ago, I would have laughed at you. The thought wouldn't have concerned me.

"But my home is here. And we're doing our part to make sure the world is a better place in the future." AN

Pictured, from left, are Paul Germain of Germain Automotive Partnership in Columbus, Ohio; Zach Doran of the Ohio Automobile Dealers Association; Greg Taylor of Troy Ford in Troy; and John Dunning of Dunning Motor Sales in Cambridge.

Ohio's future dealers learn to lobby, network

OADA educates next-gen auto retailers

Jamie LaReau
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As a kid, Jessica Germain remembers her car-dealer father, Steve Germain, regularly traveling to Washington, D.C., for business.

"I was curious and thought it was so cool that he was heading to Washington to talk business and fight for certain rights," said Germain, director of customer experience and associate engagement for Germain Motor Co. in Columbus, Ohio.

Germain, 33, now says she gets "almost" more face time with federal lawmakers than her dad does, thanks to a program the Ohio Automobile Dealers Association launched in 2013. She also spends considerable time with state legislators carrying on her father's crusade for pro-dealership laws on the local level.

"I've learned a lot about all the legislative issues that are at the forefront in the state House and Senate that pertain to our industry," Germain said. "I now feel a more personal responsibility in educating lawmakers about the day-to-day business so they make good decisions."

The OADA Next Gen Dealer Program was created to help educate budding dealers such as Germain about legislative issues and processes. It helps them build relationships with lawmakers as well as with their dealership peers throughout the state.

In the process, OADA is grooming its future members and lobbyists by teaching them how to talk effectively to legislators.

'Differentiate ourselves'

"To run a successful legislative program, you have to have dollars and a strong [political action committee], so it's important that we show the next-gen dealers the process and what we do before we ask them for money," said Zach Doran, director of dealer services for OADA in Columbus. "If we can show them how the process works and why it's important, we start to differentiate ourselves from the charitable organizations with their hand out."

Texas, North Carolina and Virginia have similar programs, Doran said. Minnesota and Colorado launched next-gen dealer programs in June.

Ohio has about 330 dealers principal who own 835 stores. About 130 next-gen dealers are enrolled in the program, Doran said.

Generally, program participants are 25 to 40 years old and their parents own and operate dealerships. With a few exceptions, most are not yet dealers principal.

"If your name is on the building and you're between 25 and 40, it's generally a family business and tends to stay that way, so that's how we operate it," Doran said. "There's no requirement from us that we have to see your succession plan."

First-name basis

There are four components to OADA's Next Gen Dealer Program: State House day, dealership visits, Washington day and peer networking.

In March, OADA's next-gen dealers spend a day at the state Capitol in Columbus for State House day. They learn about the legislative is-

see NEXT-GEN, Page 18

Future focus

An Ohio Automobile Dealers Association program helps budding dealers learn legislative issues, processes.

- State House day introduces them to issues, lawmakers.
- Washington day is similar but on the national level.
- Next-gen dealers are encouraged to invite lawmakers to their dealerships.
- A race day at a track helps peers to network.

DEALERSHIP BUY/SELL

Aaronson, Sciarrino, Baron/Manfredi

BUYERS: Josh Aaronson, Marcello Sciarrino, Ron Baron, David Baron
SELLER: Manfredi Auto Group
OLD NAMES: Manfredi Toyota, Manfredi Chrysler-Dodge-Jeep-Ram, Manfredi Kia, Manfredi Hyundai, Manfredi Mazda, Manfredi Fiat, Manfredi Mitsubishi, Subaru of Staten Island, New York
NEW NAMES: Island Toyota, Island Chrysler-Dodge-Jeep-Ram, Island Kia, Island Hyundai, Island Mazda, Island Fiat, Island Mitsubishi, Island Subaru
MORE: Rob Lee of Tim Lamb Group advised the buyers.

DEALERS

25 with Chevrolet

David Halvorson, left, dealer principal at American Chevrolet in Modesto, Calif., receives a 25-year award from Dale Sullivan, director of Chevrolet's Western region.

40 with Honda

David Waikem, left, and **Doug Waikem** of Waikem Honda in Massillon, Ohio, received a 40-year award from American Honda Motor Co.

50 with Chrysler

Kip Lager, president of Lager's Inc. (Chrysler-Dodge-Jeep-Ram) in St. Peter, Minn., receives a 50-year award for Chrysler. Pictured, from left, are Fred Fredrickson, general manager; Rocco Bachara, Fiat Chrysler area manager; and Lager.

NEXT-GEN

Program helps build relationships

continued from Page 16

sues OADA is pursuing for dealers and meet their local legislators. OADA coaches them on how to lobby for the issues that affect their dealerships.

"You hope that your dealers know their legislators on a first-name basis," Doran said. "If you're asking someone to call a person they've never met before to tell them to vote this way or that way on an issue, that's a big hurdle."

Doran also encourages participants to invite those lawmakers to visit their dealerships. OADA helps to coordinate the visits.

"It's important that the legislators understand the type of investments that dealers make. You kind of shake up their world a little bit when you start explaining the business model to a lawmaker," Doran said. "We're a very high-volume, low-margin business, so little tweaks to taxes can have a big impact on our business."

Washington day is similar to State House day, but on a federal level. It coincides with the National Automobile Dealers Association's annual Washington conference in September. OADA pays to take six next-gen dealers to the conference and holds separate meetings to introduce them to their federal legislators.

In the fall, OADA rents a racecourse venue for the next-gen dealers to spend a day racing cars and socializing with one another, Doran said.

"We're trying to facilitate a network for them," Doran said. "Their mom and dad, as dealer principals, probably know the top 15 dealers in town. For the next gen, we're trying to help them meet their peers."

Chris Cole, 26, is on track to be a fourth-generation dealer. His father and uncle own Cole Valley Cadillac in Warren, Ohio, where Chris is the Internet manager. His family also owns Cole Valley Chevrolet in Newton Falls, Ohio. Cole has participated in OADA's program since its inception.

He sees the benefits as twofold.

"It comes back to building relationships with other dealers and keeping each other abreast but also seeing different issues and being informed as a dealer," Cole said.

"That's the one thing I don't talk enough to my dad about, and OADA helps to open up your eyes as to what's out there and what's affecting you." AN


PING

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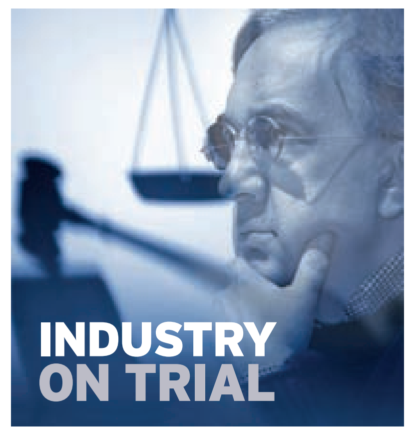
AUTOMOTIVE NEWS ILLUSTRATION

BROADER TROUBLES



Marchionne's diagnosis of industry weakness goes far beyond FCA

Mike Colias and Nick Bunkley
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Merging with Fiat was supposed to ensure Chrysler's long-term future.

Chrysler was broke. Fiat and its workaholic CEO, Sergio Marchionne, were its saviors. Together, the companies believed they would become big enough, strong enough, important enough to stay out of trouble.


Lutz: It destroys capital.

But less than a year after completing the tie-up, Fiat Chrysler Automobiles is back on the dating scene, with Marchionne wooing possible suitors and warning everyone else to do the same before it's too late. Things may be good now, he cautions, but even the industry's biggest players lack the firepower to keep pace with the capital pressures looming in the next decade.

To many industry insiders, his consolidate-or-else mantra signals desperation, a plea for a stronger partner to help solve FCA's myriad problems. But it would be a mistake to dismiss his analysis out of hand.

After all, Marchionne is right. At least he's right on one core point: The automotive industry, as he described in a presentation in April, is a "capital junkie" and an inefficient steward of its resources. Its track record of producing returns that fall short of its capital costs already leaves most automakers with measly stock values relative to other industries, limiting their ability to attract even more money for future investments.

That's the prevailing view of more than 15 current and former high-level executives interviewed by *Automotive News* in recent months. Marchionne's unsolicited, painstaking analysis laid bare industry flaws that many of his peers know to be true but would never have dared put in the form of a 25-page PowerPoint presentation to the world.

"This is the first time that somebody in this business ... is agreeing with the premise the automobile business is a destroyer of capital. It really is," said former General Motors Vice Chairman Bob Lutz.

An analysis by New York University finance professor Aswath Damodaran hammers home Lutz's point. The auto industry posted returns that eclipsed its cost of capital just four times in the 10-

see **TROUBLES**, next page

Return on investment: Not a pretty picture

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Last spring, General Motors began breaking out a new metric in its financial disclosures: return on invested capital.

GM executives insist it reflects a sharper focus on proving to investors that their money is being put to good use — an unusual statement of accountability in an industry notorious for chewing through copious amounts of capital.

The relatively arcane financial metric is at the root of the debate sparked by Fiat Chrysler Automobiles CEO Sergio Marchionne. He is urging industry consolidation as the solution to what he and others see as a perennially inefficient use of capital.

Return on invested capital essentially reflects how well a company can generate earnings from the money it invests in itself. If a company's returns are greater than its cost of capital, it's creating value for shareholders. The more, the better.

It's also important to look at the spread — just how much more (or less) a company is generating relative to its cost of capital, or the after-tax cost of the combined debt and equity used to finance the business.

That excess or shortfall provides "a snapshot of the capacity of the company to generate value," Aswath Damodaran, a finance professor at New York University, wrote in a May blog post.

That snapshot shows an ugly picture of the automotive industry.

Damodaran's research shows that global automakers' average return on invested capital in 2014 was 3.8 percent, below the average capital cost. The industry ranked 80th out of 88 studied.

The industry is a perpetual consumer of shareholder value, he found: It failed to earn its cost of capital in six out of the 10 years from 2005 through 2014. AN

TROUBLES

continued from previous page

year span ending with 2014. Its median performance over that decade — earnings that fell 4.8 percent below its cost of capital — rated as the fifth worst out of 88 industries that he measured.

Damodaran, an expert in equity valuation, highlights the existential threat of the industry continuing its ways: It invites well-capitalized "disruptors" such as Tesla Motors Inc., Apple Inc. and others that believe they can do it better.

"I would not be surprised if the next big disruption of this market comes from companies in healthier businesses and that will bring more pressures on existing automobile companies," Damodaran said in a March blog post. "If there is a light at the end of this tunnel for incumbent automobile companies, I don't see it."

'How stupid is that?'

While there are differing views about Marchionne's prescription for large-scale mergers as the only antidote for the ailment, few dispute the symptoms.

Take Aston Martin CEO Andy Palmer's response to Marchionne's theory that the industry wastes money by constantly recreating the wheel, rather than standardizing certain technologies.

"We can't even agree on a common plug for a plug-in electric hybrid or a plug-in electric vehicle. How stupid is that?" said Palmer, formerly Nissan's chief planning officer. "What hope do we have of competing with those other industries [for capital] if we can't get over the basics? I think in that sense, actually, the industry is getting worse rather than better."

Palmer: We can't agree.

Or consider TrueCar President John Krafcik's reply when asked whether he buys Marchionne's theory that half of the proprietary equipment and technology that automakers are sinking money into goes unnoticed by consumers — companies having their own four-cylinder engines for mass-market compact cars, for example.

"Fifty percent could even be conservative," said Krafcik, the former head of Hyundai Motor America.

And here's what former BorgWarner Inc. CEO Tim Manganello had to say about Marchionne's criticism that the auto industry fails to generate returns that cover its cost of capital.

"If your return is less than your cost of capital, you are destroying shareholder value," Manganello said, adding: "There aren't too many companies in the auto sector at the OEM level that basically return their cost of capital."

The unusual bluntness with which Marchionne sized up his own industry has backfired on him in a way. It has invited closer scrutiny of FCA's particular shortcomings — its lack of presence in China, for example, and its slight electrification portfolio — rather than putting the industry itself under the microscope.

But regardless of whether his capital-junkie manifesto was a thinly veiled overture to potential merger partners, the cerebral Marchionne has been thinking about industry consolidation for years. He told *Automotive News Europe* in 2008 that he expected only a half-dozen automakers to survive long term.

Seemingly lost in the wake of his April analysis was some tough-to-ignore evidence of the industry's bottom-feeding status among other sectors when it comes to making efficient use of capital:

- An automaker will spend the equivalent of its enterprise value — essentially what an acquirer would pay for the business — on product-development costs every four years. It takes aerospace and defense companies nearly 20 years to spend that much, the FCA analysis shows.
- Mainstream automakers had enterprise values of four times their pretax profits in 2014 — paltry compared with aerospace and defense (average enterprise value of nine times pretax profit), building-materials companies (11 times) and pharmaceuticals (13 times).
- Capital spending by mainstream automakers, including product-development costs, grew 12 percent *annually* from 2010 to 2014.

> **"In today's cycle, things are going almost too well for everybody. It's like a game of chicken."**
>
> Tim Manganello, former BorgWarner CEO

OK, fine, some industry veterans say. The business has always been low-margin and capital-intensive, which is why Wall Street generally values automakers at a discount to companies in those other sectors. That's old news.

The problem, Marchionne and some of his peers say, is a coming investment crunch to develop autonomous driving, connected-car technology, alternative powertrains and shared-mobility solutions, which threaten to overwhelm many automakers unless they better leverage their capital dollars.

Those trends will require "significant, incremental investments … likely at the same time growth slows," consulting firm AlixPartners said in a June research report. It added: "Few players have the scale to support" adequate investments in each of those realms.

Cadillac President Johan de Nysschen says earmarking capital for technologies such as autonomous driving "definitely brings along incremental challenges and incremental resource demands." Those development costs "are layered" atop an already big investment in new-vehicle programs that he and GM are making to elevate the brand.

Old-school thinking?

But with sales and profits expanding for most automakers, it could be a tough time to persuade executives, directors and shareholders of the need for the sort of drastic actions to build scale that Marchionne is pressing the industry for.

"In today's cycle, things are going almost too well for everybody. It's like a game of chicken," Manganello said. "Some catastrophic event or recession is going to pressurize people" into desperation deal making.

Aston Martin's Palmer added: "The rational time to be looking at consolidation is probably on the up cycle when the company has got money. But we're an irrational industry."

It also could be that in today's fast-shifting landscape, auto execs see consolidating vehicle platforms and factories as less relevant than it might have been even five years ago. Adding scale through a tie-up with a mainline automaker might not be as pressing as the need to answer existential questions buffeting the industry, such as how autonomous vehicles and shared mobility will reshape car ownership.

Shanks: Ford looks forward.

GM CEO Mary Barra has said that the automotive sector will change more in the next 10 years than it has in the last 50. In publicly swatting down Marchionne's advance, Barra said in June, "We have scale," and she said GM is busy "merging with ourselves."

Read another way: Why would GM want to spend years going through the distraction of closing plants and winding down dealer networks to get more efficient at the business of bending metal, when the long-term future will require some serious futuristic thinking and technological expertise that it may need to find elsewhere?

Ford Motor Co. CFO Bob Shanks all but said as much in a June conference call with analysts when he responded to the question of whether Ford would ever kick the tires on a deal with FCA.

"As we think about the dramatic changes that are taking place in the business, we want to have our more forward-looking perspective in terms of … where we want to make investments," Shanks said. A marriage with FCA, he concluded, "would be doubling down on the past." AN

Marchionne: "The absorption of additional costs without the ability to pass it on would be absolutely lethal for the business."

Who will pay rising development costs?

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Regulators and consumers keep demanding that automakers pack more features and equipment into vehicles. But all of that comes at a cost — which somebody ultimately has to pay.

It's a conundrum that's bound to keep squeezing automakers' product-development budgets tighter in the coming years, as technology races on and fuel economy standards grow stricter.

From 2010 to 2014, mainstream automakers' capital expenditures and spending on r&d jumped 63 percent, or more than 12 percent annually, according to Fiat Chrysler CEO Sergio Marchionne. At that rate, such spending would be double last year's levels by the end of the decade.

It would be difficult if not impossible for most automakers to absorb those increases without major price hikes. Some companies are altering their product plans for the coming years to avoid making vehicles too expensive to be competitive.

"The absorption of additional costs without the ability to pass it on would be absolutely lethal for the business," Marchionne said in April. "So there is no option. It will all be passed on, in some fashion or another."

Marchionne cited a lengthy list of regulatory- and customer-driven forces that will push development costs up, including emissions laws, new powertrains, safety technologies, advanced infotainment systems, vehicle-to-vehicle communication and autonomous driving. AN

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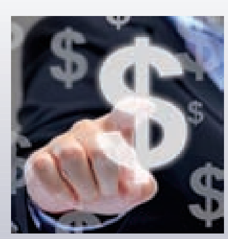
Capital crunch

Automakers rank near the bottom in a measure of their earning power relative to their cost of capital.

	MEDIAN ANNUAL EXCESS RETURNS, 2005 THROUGH 2014*	RANK AMONG 88 INDUSTRIES
Aerospace & defense	9.6%	13th
Automobile & truck	–4.8%	84th

*Calculated as average return on invested capital minus average cost of capital
Source: Research from NYU finance professor Aswath Damodaran



future product pipeline

PART 4: KOREA HYUNDAI | KIA

Koreans to polish their luxury wares

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There used to be no such thing as a Korean luxury car.

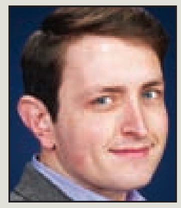
Hyundai Motor Group changed that over the last decade by introducing powerful, spacious and technology-packed sedans such as the Hyundai Genesis and Kia K900.

Now, the Korean siblings will take their luxury lineups to the next level. Hyundai plans to redesign its top-of-the-line Equus for the 2017 model year after a debut at the New York auto show.

At the same time, Kia will re-engineer its Cadenza, which, like the Genesis, is positioned as a rival for the Mercedes-Benz E class or BMW 5 series.

The following year, Hyundai will update its Genesis by outfitting it with an efficient-yet-powerful, twin-turbo, 3.3-liter engine, while Kia finally may introduce the sleek, four-door coupe that has been in the works since its GT concept was unveiled in 2011.

Hyundai and Kia hope these offerings, combined with greater attention to crossovers, will help them continue their ascent, leaving behind a budget-car heritage to emerge as two of the industry's most profitable and prestigious brands. AN



Gabe Nelson covers four Korean and Japanese brands, plus Tesla and automotive technology, from Automotive News' bureau in San Francisco.

WHAT DO THE TERMS MEAN?

- **Freshen:** Minor changes to interior and exterior, such as new grille, fascia, front and rear lights or seat surfaces.
- **Re-engineering:** Significant engineering changes, such as revised powertrain, chassis, suspension, center stack or interior. Often includes some new sheet metal.
- **Redesign:** New platform, powertrain, interior and sheet metal. Engine and transmission could be carried over.
- **New:** A nameplate added to the lineup.

Hyundai gears up to plug holes

A CUV, pickup could fuel growth plans

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For the last few years, Hyundai's ambitions for U.S. growth have been foiled by a scant lineup of crossovers and trucks. Hyundai will remedy that with a future product plan that includes a small CUV to vie with the Honda HR-V and perhaps a versatile pickup based on the Santa Cruz concept from the Detroit auto show.

Accent: Hyundai last redesigned the Accent subcompact in 2010. A re-engineered model is scheduled to go on sale in the second half of 2016 for the 2017 model year, with heavy design influences from the forthcoming Elantra. Prototypes have been spotted in testing with a version of the hexagonal grille that Hyundai adopted in 2014.

The re-engineered Accent will use a carryover platform and the same 1.6-liter, direct-injected gasoline engine as today. Executives also are exploring the idea of revamping the five-door Accent as a stylish hot hatch in the mold of the Ford Fiesta ST.

Elantra: Hyundai freshened the Elantra GT compact hatchback for the 2016 model year with a new grille and optional 7-inch touch-screen navigation system. The sedan was unaffected; the GT, despite its Elantra badge, is based on the i30 sold overseas.

A re-engineered Elantra sedan will go on sale in the first quarter of 2016 after a debut at November's Los Angeles Auto Show. It will use a slightly tweaked platform with a retuned suspension and make greater use of high-strength steel for better driving dynamics. The new Elantra also will offer Hyundai's new Display Audio touchscreen interface, designed for use with Apple Inc.'s CarPlay and Google Inc.'s Android Auto.

Veloster: Hyundai plans to sell a handful of special editions of the Veloster coupe during its current generation, including the Rally Edition, which goes on sale this summer with matte blue paint, 18-inch alloy wheels, racing seats and special badges.

Even though the Veloster hasn't lit up the sales charts since its global introduction in 2011, Hyundai is expected to introduce a second generation of the three-door hatchback in the second half of 2016 for the 2017 model year.

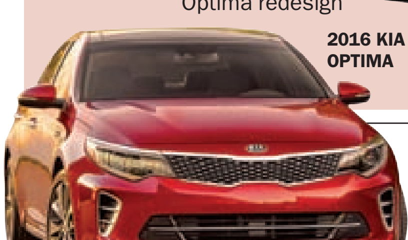
see HYUNDAI, Page 24

The Hyundai Sonata Plug-in Hybrid offers 24 miles of all-electric range. It goes on sale this fall.

TIMELINE

	2015 2ND HALF	2016 1ST HALF	2016 2ND HALF	2017	2018
Hyundai	Sonata Plug-in Hybrid launch	Elantra re-engineering	Accent re-engineering Veloster redesign Sonata re-engineering Dedicated hybrid launch Equus redesign	Genesis re-engineering Subcompact crossover launch?	Santa Fe redesign Santa Fe Sport redesign
Kia	Forte freshen Optima redesign		Rio re-engineering Dedicated hybrid launch Cadenza re-engineering Sportage re-engineering	Optima Hybrid redesign Optima plug-in hybrid launch GT launch? Sedona freshen	Forte redesign K900 redesign Sorento freshen

2016 HYUNDAI ELANTRA



2016 KIA OPTIMA

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Updates to core models will keep Kia busy

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Kia will have a crammed calendar over the next year as the company prepares to open a new small-car factory in Mexico. It will be updating three of its mainstay models: the Rio subcompact, Forte compact and Sportage compact crossover.

Rio: The subcompact, sold as a sedan or hatchback, got a minor face-lift in the spring, with new front and rear fascias and minor trim changes in the interior. Next up, a re-engineered model will go on sale in late 2016 for the 2017 model year. It is expected to be built from launch at Kia's new assembly plant near Monterrey, Mexico, that will supply North America.

Forte: Kia sells three versions of its compact car: a sedan, a coupe and a five-door. Last redesigned for the 2014 model year, the Forte will get a midcycle freshening in late 2015 or early 2016. A full redesign is scheduled for the 2019 model year, at which point the U.S.-bound cars likely will be assembled at the Mexican factory.

Soul: The boxy Soul, one of America's best-selling subcompacts along with the Nissan Versa, was last redesigned in 2013. The all-electric Soul EV followed last summer in California and a handful of other states, offering 93 miles of range on a charge. Kia has shown a slew of funky concept cars based on the Soul, including the Soul'ster (2009), Track'ster (2012) and Trail'ster (2015), but none has made it to production.

Optima: A redesigned version of Kia's stylish midsize sedan goes on sale this summer for the 2016 model year with new front and rear fascias. Its engines carry over, while the platform has been modified for better ride and handling and reduced noise, vibration and harshness. Kia is scheduled to launch the redesigned Optima Hybrid in early 2017, with a plug-in hybrid to follow later that year.

The Kia Forte will be freshened late this year or early next. A redesign comes in 2018.

Dedicated hybrid: Kia and sibling brand Hyundai have been working on Toyota Prius rivals for more than half a decade, and they're finally coming to market.

Kia's version of the hybrid, expected to go on sale in late 2016 for the 2017 model year, will fall between hatchback and crossover. Photographers have spotted the car in hot-weather testing in the U.S. with plastic body cladding and rough-and-tumble black wheels like those on the Subaru XV Crosstrek. It will deliver power from a 1.6-liter gasoline engine mated to an electric motor. A plug-in hybrid may be offered as well.

Cadenza: Kia launched its near-premium sedan in the U.S. in 2013, halfway through the product's life cycle. It will be re-engineered in mid-2016 for the 2017 model year with a carryover platform and powertrain but new sheet metal and more tech features.

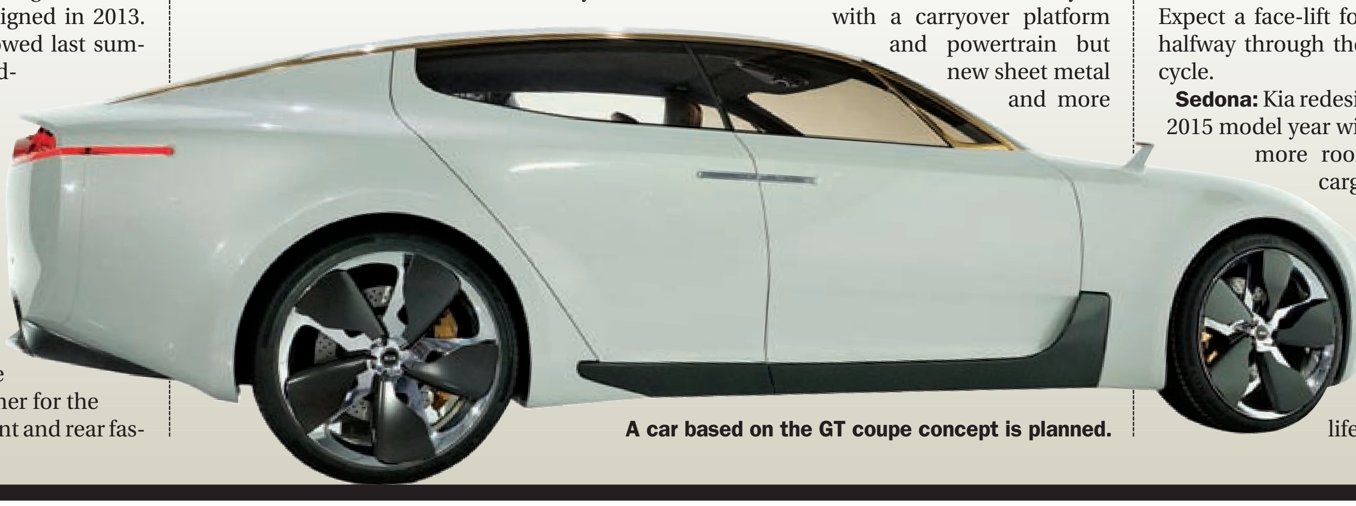
K900: Kia sold just 1,330 K900s in 2014, the first year of U.S. sales for its new flagship sedan. Yet the K900, which starts at $55,400 with shipping and is powered by a 5.0-liter, V-8 engine, is key to Kia's plan for improving its brand image. Expect a redesigned model in 2018 for the 2019 model year with just minor tweaks until then.

GT: Kia executives confirmed in 2014 that the company is designing a production car based on the GT four-door coupe concept from the 2011 Frankfurt auto show. It is expected to go on sale in the U.S. around the 2018 model year, powered by a twin-turbo, 3.3-liter, V-6 engine, but the details are extremely fuzzy.

Sportage: The compact crossover will be re-engineered in late 2016 for the 2017 model year with sheet metal similar to that of the new Chinese-market Kia KX3. The design of the KX3 includes angular turn-signal indicators that jut from Kia's signature "tiger nose" grille and powerful creases on the flanks of the hood.

Sorento: A re-engineered version of the crossover went on sale in the spring for the 2016 model year, with new sheet metal and a stretched cabin for more passenger space. Expect a face-lift for the 2019 model year, halfway through the Sorento's six-year life cycle.

Sedona: Kia redesigned its minivan for the 2015 model year with new sheet metal and more room for passengers and cargo. It seats eight and comes standard with third-row seats that fold into the cabin floor. Expect a freshening for the 2018 or 2019 model years, roughly halfway through a seven-year life cycle. AN



A car based on the GT coupe concept is planned.

HYUNDAI

Hybrid to compete with Prius finally arriving

continued from Page 22

Sonata: Hyundai redesigned its midsize sedan in 2014. The styling was conservative, tempering enthusiasm and sales, so Hyundai hustled to give the car a slightly more aggressive face-lift than usual. The midcycle update now will take place in the second half of 2016 instead of in 2017 and will include significant sheet metal changes to restore some of the old Sonata's curvy styling.

This summer, Hyundai added the next-generation Sonata Hybrid to the lineup. It promises 42 mpg in combined city and highway driving at a starting price of $26,825, including shipping. The Sonata Plug-in Hybrid, which offers 24 miles of all-electric range, will become Hyundai's first electric car in the U.S. when it goes on sale this fall.

Dedicated hybrid: Hyundai and sibling brand Kia have been working on Toyota Prius rivals for more than half a decade, and they're finally coming to market.

Due in the second half of 2016 as a 2017 model, Hyundai's hybrid will be built with components from the re-engineered Elantra but with an aerodynamic sedan design reminiscent of the Chevrolet Volt. It will deliver power from a 1.6-liter gasoline engine mated to an electric motor. Hyundai also will offer an EV variant.

Azera: Hyundai gave the near-premium Azera a face-lift in late 2014 with an updated fascia and center-stack design. That hasn't done much to help sales of the sedan, which is being outsold 15-to-1 by the Chevrolet Impala. A global redesign is due in 2017, but the Azera, for all its popularity in South Korea, will be discontinued in the U.S. The gap between the Sonata and the Genesis is awfully small.

Genesis: Hyundai launched a redesigned version of its full-size luxury sedan in 2014. Expect a midcycle update in the second half of 2017, at which point Hyundai will replace the Genesis' 5.0-liter V-8 with a 3.3-liter, twin-turbo engine that delivers 365 hp and 379 pounds-feet of torque but better fuel economy.

Genesis Coupe: The youthful coupe, on sale since 2009, is ancient by Hyundai's standards. And it is built on a different platform from the Genesis sedan, making it difficult to design a replacement. Yet killing the coupe would be painful for Hyundai, which sorely wants to burnish its performance credentials. Hyundai has conceived a rear-wheel-drive sedan code-named IK to rival the BMW 3 series. If built, it could spawn a Genesis Coupe replacement akin to the BMW 4 series or the Infiniti Q60.

Equus: Hyundai's flagship sedan, which starts at $62,450 with shipping, has been on sale globally since 2009 and in the U.S. since 2010. A third-generation Equus is scheduled to go on sale in 2016 for the 2017 model year with the same 5.0-liter V-8, but with optional all-wheel drive.

Its design will evolve but won't dramatically change. Expect the next-generation Equus to be unveiled in the spring at the New York auto show, where the original Equus made its debut.

Subcompact crossover: Hyundai launched a pint-sized crossover called the ix25 in China in the fall of 2014 and rolled it out in India this summer as the Creta. Hyundai has signaled the Creta isn't a product just for developing markets but rather a global model slotted beneath the Tucson in its crossover lineup.

Still, a similar model is still a couple years away from U.S. sale.

A first-world version with a more aggressive design is slated to go on sale in the U.S. in late 2017 or early 2018, going up against the Honda HR-V, Mazda CX-3 and Jeep Renegade.

Hyundai Santa Cruz concept

Tucson: A redesigned version of Hyundai's compact crossover went on sale this summer with new sheet metal. Riding on a shrunken version of the Sonata platform, the new Tucson is available with a new, 1.6-liter, turbocharged, four-cylinder engine and has a stiffer frame and retuned suspension for a more refined ride. U.S. dealers' supply of the Tucson will double to about 90,000 vehicles per year.

Since last summer, Hyundai also has leased a hydrogen fuel cell electric vehicle in Southern California based on the prior-generation Tucson.

Santa Fe: The two-row Santa Fe Sport and three-row Santa Fe crossovers were redesigned for the 2013 model year. They are slated to be redesigned with new sheet metal in 2018 for the 2019 model year, at which point the Santa Fe will be widened to accommodate eight passengers, like the rival Toyota Highlander and Honda Pilot.

Santa Cruz: Hyundai is strongly considering a small, versatile, four-door pickup based on the Santa Cruz concept shown at the Detroit auto show in January. If built, the Santa Cruz could be the first Hyundai to offer a diesel engine in the U.S., though the economics of such a project ultimately may prove prohibitive. AN

Evolving Mini takes aim at high-end brands

Design, size, marketing revamped to move up

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NEW HAVEN, Conn. — Mini is changing its marketing and will pitch to the "executive personality" as products move upmarket, its North American chief says.

"We have to evolve and see something new," which will include lighter colors and a different tone when the redesigned Clubman goes on sale in early January, said David Duncan, vice president of Mini of the Americas.

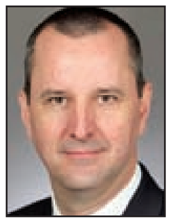
Mini launched U.S. sales in 2002 after BMW AG's purchase of the British minicar brand. "If I am an uninformed consumer, I would think it is the same" as it was in 2002, Duncan said.

Mini was positioned as a sporty, small-car brand with an irreverent attitude and quirky features — such as door and window locks in the center console and a big speedometer in the center dashboard instead of behind the steering wheel.

Mini was dinged repeatedly for some of those features and responded, Duncan said. With the redesign of the Cooper Hardtop and the launch of the Hardtop 4 Door, Mini moved the door/window controls to the windows, the speedometer to the left and the seat recliner from the front of the seat to the side. The interior was improved.

The redesigned Clubman wagon due in January will go even further, with an exclusive interior and more premium features. With a 12-inch increase in length, the Clubman will be Mini's first compact and compete with vehicles such as the Volkswagen Golf — and even the Mercedes-Benz CLA and Audi A3, Duncan said.

"It marks a turning point," he said. "I do see us being cross-shopped across a luxury brand, in that we are actually a good value."



Duncan: "We have to evolve."

A new look

Marketing will have to reflect that upward positioning.

"The look will change. We have used nighttime and images against a black background," Duncan said. "You will see it in a more natural environment and see daytime ads."

Mini will emphasize premium touches and craftsmanship but will not entirely abandon fanciful ads.

"That part should still be told, but it may depend on the character of the car," Duncan said.

Along with the Cooper Hardtop and the Countryman, the Clubman will be among the four Mini "hero cars," volume models based on a BMW Group platform using BMW engines and components. The fourth hasn't been revealed but could be a sports car/roadster that takes styling cues from the sexy Superleggera concept.

'Not boring'

Mini's character hasn't changed in an important way — the cars are still designed with sporty handling.

"The driving dynamics of the cars are not boring," Duncan said. "There are already a lot of people that are attracted to Mini, but it doesn't fit their lifestyle and is seen as too small."

Duncan says he is often asked how big a Mini can be. He wouldn't disclose whether the Countryman crossover will grow significantly when redesigned. The replacement Countryman is expected in late 2016.

Mini's appeal from its launch in 1959 was maximizing space in a small car.

"As long as we stay true to what we were in the beginning," Duncan said, "we do not need to be limited by size."

Duncan also expects Mini's appeal to grow because of the extensive use of BMW components in redesigned models. Mini won't tout this in marketing, but "it helps in the marketplace," Duncan said. "I would not dissuade a dealer to do that."

Duncan said Mini has recovered from last year's slump — U.S. sales in 2014 fell 16 percent from a year earlier — and he expects 2015 U.S. sales of about 66,500 cars.

Mini's sales through July rose 18 percent to 35,451 vehicles. AN

The new Clubman is 12 inches longer.

CATCH 'EM EARLY

Automakers need to reach customers in the digital space earlier in the purchase process, according to a Facebook-commissioned study. The findings show consumers are exposed to the most digital car ads in the month before purchasing a vehicle, even though 59 percent of car buyers already have narrowed their choices to one or two models by then.

QUOTED

"Demographics are not the right guide for marketing. ... Automakers need to tell precise stories in precise locations."

Arianne Walker of J.D. Power, upon release of the company's 2015 U.S. Automotive Media and Marketing Report — Summer Edition

'OLD WIVES' TALES'

Volkswagen is using the comedic talents of the Golden Sisters to dispel myths about diesel engines. The trio, who became YouTube stars in 2013 and snagged a reality show on the Oprah Winfrey Network, star in VW's "Old Wives' Tales" campaign. The elderly sisters flirt with a much younger man and bicker with one another in the spots while demonstrating, for example, how quiet the Passat TDI's engine is. The campaign began online in February and migrated to TV in April. The latest round of ads launched in July.

marketing

AUTOMOTIVE ADVERTISING | BRANDING | DIGITAL STRATEGY

For dealers, email still king for nabbing sales leads

Targeted messages at lower cost provide edge

David Barkholz
dbarkholz@crain.com

The old-fashioned email campaign remains the top producer of sales prospects for dealerships, even as digital marketing becomes increasingly sophisticated.

Easy to use and relatively inexpensive, email yields about 39 percent of dealership leads, said Larry Bruce, a vice president at Naked Lime, a marketing and website unit of software giant Reynolds and Reynolds.

Naked Lime says emails fetch more than three times as many leads as direct mail (12 percent), paid search (11 percent) and organic search (9 percent). Traditional media, such as TV and radio, account for 4 percent and social media 2 percent.

> **"Be direct. Help the customer find what they want to find as quickly as possible."**
>
> Larry Bruce
> Naked Lime

Promotional emails offer advantages over other marketing channels, not least of which is cost, said Joel Hawley, sales and marketing manager of Two Rivers Ford near Nashville.

Email-driven leads account for about 30 percent of monthly vehicle sales at Two Rivers Ford, a family-owned, single-point store. That equates to 45 to 60 new and used vehicles per month at a marketing cost of about $5,000 per month. The cost includes some paid search and other digital advertising.

"That's what you used to spend for a two-page, weekend spread in the newspaper," Hawley said.

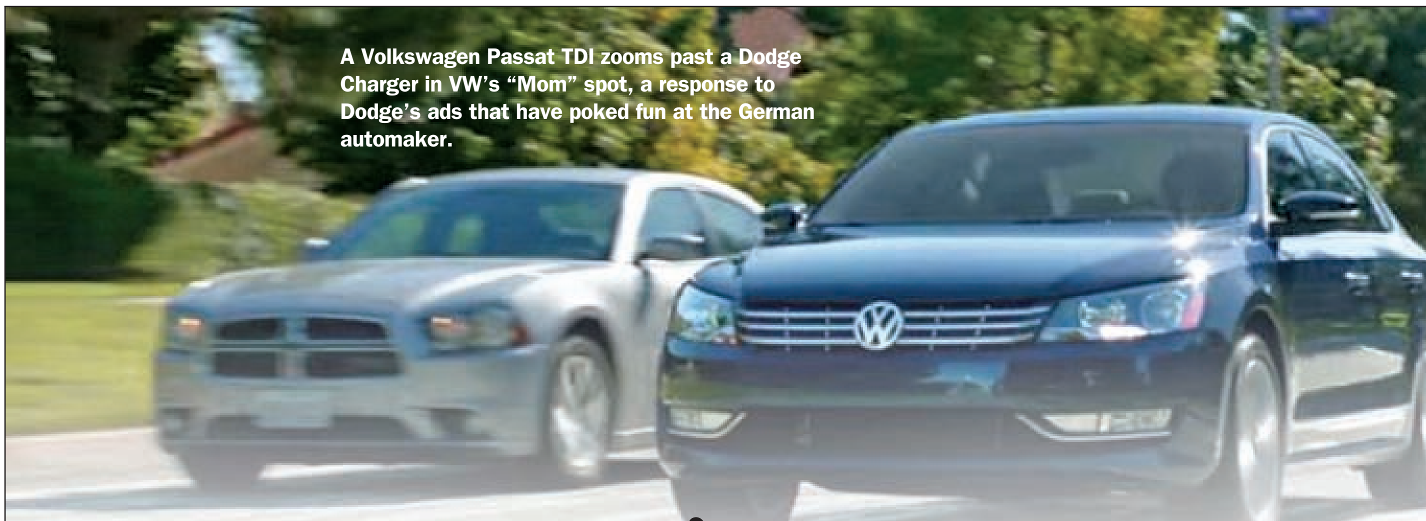
Besides being relatively cheap, emails can be narrowly targeted, Hawley said. For example, messages can be directed at customers with equity in their vehicles or those in need of service.

He said current customers typically get three to five emails a month from the dealership. The store has 19,758 email addresses.

Naked Lime's Bruce said email pitches come in two flavors: those to current customers and those to new shoppers.

Many dealerships use customer relationship

see **EMAILS**, next page



A Volkswagen Passat TDI zooms past a Dodge Charger in VW's "Mom" spot, a response to Dodge's ads that have poked fun at the German automaker.

DODGE'S DARTS

In playful rivalry, Dodge pokes fun at Volkswagen Passat

Dodge has been throwing playful barbs at Volkswagen for nearly two years in Charger ads that target the Passat in punchlines. Dodge insists it has no sinister intentions in the commercials.

Staff Reporter Vince Bond Jr. spoke with Randy Ortiz, 34, head of Dodge and SRT brand advertising, about Dodge's playful rivalry with VW.

Ortiz: "Healthy little rivalry"

Q&A

Q: How did this start?

A: It started back in 2013. We launched a spot called "Poster." Going head to head with the competition in ads is nothing new to the industry. It's been done for years. We just wanted to find a different way to create an "us vs. competitor" ad instead of just going spec for spec, comparing horsepower or mpg or something like that. We just looked for a competitive brand and a competitive vehicle that was a polar opposite of ours. We thought Passat would be a great fit for an idea like that. Dodge and Volkswagen are two very different brands; and Charger and Passat are two very different vehicles with different demographics in terms of consumers. We just wanted to create something that was playful and lighthearted and have a little fun. It's taken off from there.

In VW's "Mom" ad, a mother fills up a Chrysler 300 while her kids run amok.

In the beginning, were there any other cars you considered besides the Passat?

From the beginning, our goal was to find a brand that was completely opposite of Dodge. Passat was the front-runner from Day 1. We just felt it would be fun and spark a healthy little rivalry and competition. They've obviously responded with one of their recent ads, but we're still winning five ads to one. Their move.

Did the brand plan on this lasting so long?

As we kind of worked through different campaigns and worked through different ideas, it would get thrown out there, 'Hey, I wonder if we could fit a Passat reference into this certain body of work.' We've created a lot of ads over the last 24 months, and five of them happened to mention Passat. If it works, great. We like to have a little fun with it. If not, no big deal.

Have you met with any VW execs about the ads?

No, we have not. There hasn't been a lot of banter about this between Dodge and Volkswagen, but there has been a lot of chatter online. Every time we release

see **DODGE**, next page

In Dodge's "Not So Fast and Furious" ad, a VW Passat overtakes a Dodge Challenger. This irks "Fast N' Loud" star Richard Rawlings, who pulls over the Challenger driver for breaking "Dodge Law."

DODGE

continued from previous page

one of these spots, it creates a lot of conversation. What's great about it is it's all in good fun. It's lighthearted, it's not disparaging or disrespectful or anything like that. That's how we want to keep it. Just keep it fun and very tongue-in-cheek. It's just a little something different that we're trying. It seems to work.

How did you feel when you saw Volkswagen's response?

When you create as many ads as we have over the last 24 months, you expect some sort of response. We're glad to see that they're open to this healthy rivalry and put Charger in one of their ads. It's just something fun and lighthearted. Here at Dodge, we're always trying to do things different and unexpected. Our brand is irreverent; we have a great sense of humor.

> **"What's great about it is it's all in good fun. It's lighthearted, it's not disparaging or disrespectful or anything like that. That's how we want to keep it."**

Are you surprised they waited so long to put their own commercial out?

No, not really.

Are there any concerns that you are giving Volkswagen free publicity?

No. It's not uncommon to mention the competition in advertising. But like I said, the norm has been to try and go head to head in terms of horsepower, mpg or specific features that one vehicle has vs. the other.

We've taken a different approach where we're playing the attitude card, where Dodge stands for a certain attitude and we have a certain consumer base that is vastly different than Volkswagen and Passat. We're going with that angle. Instead of trying to play the numbers game, which a lot of brands try to do, we're going more toward an attitude or lifestyle type of angle.

Do you think this playful approach is the best way to mention the competition?

If you can create a campaign or an ad that resonates with people where they think it's funny or want to talk about it and they want to make comments online, that's something that we strive to do.

These ads over the last couple of years have seemed to do that.

When is the next installment in this rivalry?

Nothing up our sleeves at the moment, but we obviously keep it top of mind. If we come across an idea or certain ad where we think it can fit, we'll definitely give it a shot and keep it going. AN

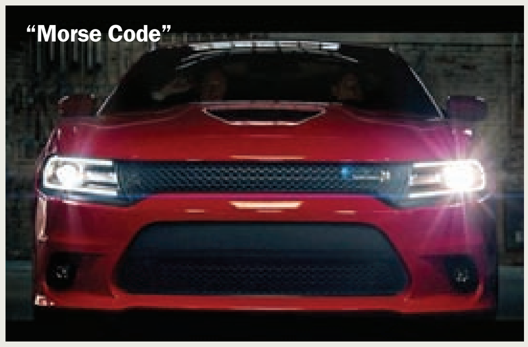
Dodge's ad strikes

"Poster"

Dodge has released 5 spots since November 2013 poking playful fun at the Volkswagen Passat. Why has Dodge singled out VW's family cruiser? It wanted to choose a competing vehicle with contrasting brand values, Dodge said. Here's a timeline of the rivalry.

November 2013

- Dodge initiates the rivalry with the "Poster" ad, which shows the Charger emerging from a cloud of dust while the narrator says no one had a Passat poster on the wall as a kid.



"Morse Code"

August 2014

- In Dodge's "Just Kidding" spot, the narrator describes a 470-hp, "butt-kicking, Motley Crue-blasting" Charger — but jokingly calls it a Passat before saying, "Just kidding. It's a Charger."
- In "I Wish," Dodge says no one sits in a new Charger and thinks, "I wish I would've gotten that Passat."

March 2015

- Dodge recruits Richard Rawlings, host of "Fast N' Loud" on the Discovery Channel, and his computerized monkey partner to crack down on a Challenger driver who was passed by a Passat. The duo pull up in a Charger.

April 2015

- VW counters with a Passat TDI commercial that appears to jab at the Chrysler 300's fuel economy while subtly poking the Charger as the diesel-powered Passat zooms by it.

June 2015

- Dodge strikes back with a second version of its "Morse Code" Charger spot, in which the Dodge brothers tell Passat owners through flashing lights, "I'd rather walk than drive your car."

EMAILS

continued from previous page

management software to determine how best to communicate with current customers. But they'll often turn to outside vendors to chase new customers, Bruce said.

Successful campaigns have common traits. For starters, dealerships or their third-party vendors need good email addresses. If not, the messages might fail to land in such high numbers that email providers such as Gmail or Yahoo can flag them for spam.

Once good addresses are obtained, Bruce said succinct offers or coupons with a strong, direct headline are more likely to get the recipient to open the email.

Another tip: Any link embedded in the email should take the recipient to a specific landing page, not the dealership website.

"Be direct. Help the customer find what they want to find as quickly as possible," Bruce said.

Hawley said he likes email because it is easier to assess the effectiveness of a campaign compared with other forms of marketing.

Scott Harris, general manager of Bill Harris Dealerships in Ashland, Ohio, said email promotions have improved.

But he'd like to see vendors do better at following up with additional emails to recipients who want to be contacted. Retailers such as Nordstrom and Lowe's tend to be much quicker contacting prospects than auto retailers, he said.

Bill Harris has two stores, one with General Motors brands and the other with Fiat Chrysler brands. The group sells about 110 new and used vehicles per month.

Harris said the stores sell about 20 vehicles per month from email campaigns at a cost of $3,500.

"I believe we could double that if we followed up more effectively," he said. AN

finance & insurance

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How to keep the F&I office out of trouble

Focus on customer satisfaction over commission is key

Jamie LaReau
jlareau@crain.com

Dealers' goals and those of finance and insurance managers tend to be at odds.

Dealers seek high customer satisfaction and loyalty and long-term revenue. F&I managers are inclined to focus on short-term profits and maximizing opportunities to generate them.

If F&I managers prioritize their aims instead of dealers', it could lead to serious problems in the F&I office, such as a slew of chargebacks on F&I products or even illegal practices, industry insiders say. To minimize that risk and ensure customers have a positive F&I experience, they say, dealers should:

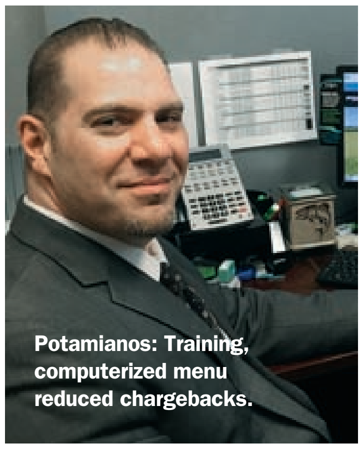
- Design a process that prevents bad F&I practices and enforces consequences.
- Boost F&I education and training.
- Scout top-notch hires who manage their own credit well.
- Devise pay plans that shift the focus from commissions to customer satisfaction.

Bad behavior in the F&I office happens less frequently than in the past because of heightened law enforcement and increased demands by manufacturers for high customer satisfaction scores, said George Angus, president of F&I consulting firm Team One Group in Scottsdale, Ariz.

But it does happen. Take Serra Nissan in Birmingham, Ala., where eight former managers and salespeople pleaded guilty to criminal charges in a scheme to falsify loan documents. The dealership also faces a civil suit charging its F&I and sales offices with a pervasive scheme to defraud customers.

Illegal F&I practices include slipping products into deals without customers' knowledge, called jamming, and power booking, which is submitting false information to lenders about a vehicle's features — such as listing leather seats when the seats are cloth — to inflate the vehicle's value so the lender will increase the loan amount.

To prevent such practices, a dealer has to spell out the rules on conduct and enforce the consequences if those rules are broken, Angus said. "Dealers have to create processes that make that enforcement happen and weed out the bad apples," he said.


Potamianos: Training, computerized menu reduced chargebacks.

Curbing chargebacks

At Johnson Automotive in Raleigh, N.C., committing any such act is grounds for termination, said Greg Kostern, the company's business director.

Nearly 10 months ago, Johnson Automotive changed its F&I selling process to prevent jamming. The result, Kostern said, is improved profits and far fewer chargebacks — that is, refunds of commissions received on F&I products that later were canceled by customers.

The eight-store group's new style is called conversational selling: Products are described to customers conversationally, and the menu is shown at the end of the presentation.

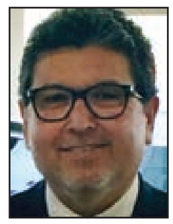
"Our conversation technique eliminates jamming because we are full disclosure," Kostern said. "They hear everything about every product, it's consistent, and they will hear and see the price of each."

Each of his 16 F&I managers does about 65 deals a month, 15 of which are audited. The group's customer satisfaction scores are consistently near 100 percent, and the average F&I revenue per vehicle retailed is up 35 percent vs. where it was before conversational selling was adopted. Chargebacks have been reduced by nearly half.

Bay Ridge Honda in New York City reduced its number of chargebacks by switching from a paper menu to a computerized one about 18 months ago.

The dealership also increased its F&I training and now requires sales managers to vet every single deal for appropriate signatures and figures.

There are still chargebacks, but a lot fewer, said Harry Potamianos, Bay Ridge Honda's general sales manager. "Chargebacks generally happen when the products sold are not properly presented to the customer and the benefits of the product are not properly explained," he said. "This eliminates it. You definitely feel more secure with a computerized and customized menu."


Skiadas: No high markup

Bay Ridge Honda also does in-house training three times a week and uses an outside trainer twice a month to ensure finance staff is compliant and competent, Potamianos said. "If that training happens, chargebacks get greatly reduced," he said.

New menu, more training

Mercedes-Benz of Brooklyn, also in New York, heavily monitors most deals to eliminate unethical practices and ensure customer satisfaction, said Finance Director John Skiadas.

"Every week, we take five or six deals and set them aside and review them and learn from that," Skiadas said. "Do we make a few mistakes? Sure. Not big mistakes, but we learn from it."

Also, in October, the dealership redesigned its F&I menu. The F&I manager now presents just five of the most identifiable products the customer might use, Skiadas said. It streamlines the time spent with customers.

"All the products are presented in a precise way, and there is no overly high markup. We try to tailor it to their driving style," Skiadas said. "Therefore, we have to work within the grid of what is important to each and every customer. If you sign on to work at our dealership, that's part of what we expect."

The dealership also requires finance managers to complete Mercedes-Benz training twice a year. Store managers hold weekly meetings to review processes, too.

Neither Bay Ridge Honda nor Mercedes-Benz of Brooklyn requires finance staff to be certified by the Association of Finance & Insurance Professionals. But Skiadas said his store would consider it to "add to our resume that we're doing the right thing."

Good people, pay plans

The best way to avoid finance office problems is to hire good people and train them right, F&I consultant Angus said. That sometimes means looking outside the industry, such as for bank employees or title clerks, he said. He also recommends running a credit check on all applicants.

"A credit check tells you about their character," he said. "Somebody who doesn't pay their bills probably isn't responsible, so do I want that person handling my business? If they couldn't get a loan on a new car, how do I know they can understand the lending process?"

He also advises dealers to design a pay plan that inspires the behavior the dealership values. "A salary-based pay plan in F&I is good, but you don't want to remove incentive," Angus said. He recommends an F&I pay plan that combines salary and commission.

"Another thing that is popular is sharing the profits between the F&I and sales departments," he added. "It builds cooperation between those two departments."

Ultimately, he said, if a dealer does not cultivate a culture in which customer happiness trumps profits and commission, everybody loses.

"Today, it doesn't matter how much money you make. If you're not in compliance, with top customer satisfaction scores, you're a dinosaur." AN

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Our dealership offers top pay and excellent benefits for the right candidate, with a long track record of tenured employees.

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This is an entry position and requires extensive travel. Candidates must have 3-5 years in-dealership service experience; some college is desirable. Applicants must be proficient in the use of a laptop computer and common Microsoft applications.

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MANAGEMENT

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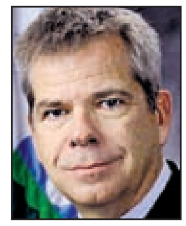


Grundler

Christopher Grundler, director of the EPA's Office of Transportation and Air Quality, said that while the agency is studying whether higher levels of octane in gasoline could improve the efficiency of automobile engines, many hurdles need to be cleared before a mandate is issued. Automakers say engines could become smaller and more powerful if 95-octane fuel were the new regular.

Most-read story: U.S. sales rise 5.3% on hardy crossover, truck volume

Big Tesla numbers

Tesla's second-quarter net loss tripled from a year earlier to $184 million. The EV maker said it built a record 12,807 vehicles in the quarter and delivered 11,532 to customers while scaling back its forecast for total 2015 deliveries.

on our radar

08.11 Hyundai unveils HCD-16 concept.

Harman, Tesla and hacking

Audio-systems maker Harman International said the software flaw that allowed programmers to take control of a Jeep Cherokee remotely isn't in infotainment systems it supplies to other automakers. Tesla, meanwhile, issued a software patch to address security flaws in the Model S sedan. According to the *Financial Times*, cybersecurity researchers said they had taken control of a Model S and turned it off at low speed — one of six significant flaws they found.

From *Automotive News*, Bloomberg and Reuters

Novelis: Automakers test stronger aluminum

Richard Truett
rtruett@crain.com

Aluminum giant Novelis says it has developed a new grade of weight-saving aluminum sheet designed to replace steel in bumpers, doors and other safety-critical areas of vehicle bodies.

Novelis says its Advanz 7000 series is two to three times stronger than the aluminum sheet currently in high-volume production.

The company, whose largest automotive customers are Jaguar Land Rover and Ford Motor Co., says it has provided samples of its new aluminum for testing to automakers and could begin production when the new metal is ordered.

JLR and Ford, the industry's two largest buyers of aluminum, likely would be among the first to use Advanz 7000.

"We are working with Novelis on a whole range of new, high-strength aluminum alloys, of which the 7000 series could be included for specific applications on future products," said Mark White, JLR's chief body engineer.

Aluminum's growth in the auto industry has been accelerating as a greater number of automakers turn to the lightweight metal to reduce weight, which improves fuel economy and delivers other benefits.

But at an industry conference last week in Traverse City, Mich., officials from the steel industry said they have their own new, ultra-high-strength steel grades that can save weight and reduce manufacturing complexity ready for the market.

Most aluminum panels, such as those used on Range Rovers and the new Ford F-150, are held together by a combination of rivets and adhesive, which is more complex than spot-welding two steel panels.

"As we bring on new steels, how you join them is not a barrier," said Eric Petersen, vice president for research and innovation for AK Steel.

Aluminum has been displacing steel on doors, hoods and other hang-on body parts for years. Strong growth is expected as such vehicles as the Cadillac CT6 and the next generation of the Jeep Wrangler use a greater combination aluminum and steel in a mixed-materials approach.

But the steel industry is fighting back with massive investments in new grades of steel. In 1960, automakers had just two grades of steel from which to choose. Now, there are more than 200, said Jody Hall, vice president of the automotive market at the Steel Market Development Institute. AN

INFINITI

Plant wants to show it can make high-quality products

continued from Page 3

gines to Japan, where they will be installed into Q50s that then will be shipped to the United States, offering the first four-cylinder option in the model here.

Company executives have not said so officially, but Decherd also is the logical source — one might argue the only source — for all of the engines that will supply Mercedes and Infiniti at a shared auto plant under construction in Aguascalientes, Mexico. That plant will need another 300,000 engines a year.

Communicating luxury

This is no place for slow-moving hand assembly. Robots move blocks into precise position and execute high-speed machining tasks.

But mass production just wasn't enough, says Gerardo Leon, director of the Decherd plant.

"We want to communicate that we are ready to produce, and have the systems in place to produce, a high-quality luxury product," says Leon, who started his career with Nissan in Mexico 33 years ago.

In an age in which automotive manufacturers are seeking quality gains through latest-generation automation, and taking more and more decision making out of the hands of assembly workers, Infiniti has implemented a very human countermove: Every employee who comes to work at the plant must first learn to build an entire engine by hand — just as the master *takumi* do in Yokohama.

It is not a necessary part of building the Decherd engines. It is just Infiniti and Mercedes' self-imposed measure to set their North American engines apart from the herd — at a time when American-made engines are getting better and better.

"The mindset that goes into building an entire engine by hand communicates that, no matter what individual job I'm doing here at this plant today, my real job is to get a good engine out the door," Leon says.

"It also equips us with a plant full of problem solvers. Companies achieve success when they have people who can solve problems. We want to train our people not merely to do a job, but to understand why their contribution is important and how it fits with all the other jobs.

"When we have a problem, we have a lot of people who can relate to all the other workstations. They're not installing parts without knowing what they do."

It is more of a tactic than a strategy.

All of Infiniti's new job recruits spend their first week in *takumi* training, first learning about the engine and then making one. According to plant workers who have undergone the training, by the time they leave the training room for their real plant assignment, they know what the machined surface of a piston should feel like; what the correct torque of a cylinder head feels like; where all the bolts are; what the bolts are supposed to look like; which electronics wire fits where; and, just as important, what sorts of bumps and dings are cosmetically unacceptable.

Among seasoned car-engine craftsmen, such a skill set might earn a shrug. But Infiniti — like a growing legion of other automakers around North America — manufactures in a setting that is far from any population of seasoned car-engine craftsmen.

The Decherd plant pulled many of its earliest 400 employees out of the personnel ranks of Nissan's own large powertrain plant that sits next door on this large swath of mountainous landscape. But other local hires have been coming from backgrounds such as Home Depot, farms and construction companies.

"I never worked on an automobile when I was a kid," says Tommy Primus, a master trainer technician at Decherd. "I was either hauling hay, cutting tobacco or mowing yards."

He held jobs working for a Pepsi bottler and in construction before getting a spot on Nissan's engine line installing heater pipes 12 years ago.

"I've done everything I could to learn as much as I could, and that's what got me here," he says. But at the new Infiniti plant, he says, the emphasis is on a deeper understanding of what engines are all about.

> **"I never worked on an automobile when I was a kid. I was either hauling hay, cutting tobacco or mowing yards."**
>
> Tommy Primus, a master trainer technician at Infiniti

American takumi

SHIRAZ AHMED

The plant combines the mindset of takumi with the latest advances in automation and robotics.

In Yokohama, Japan

- Nissan's *takumi* craftsmen — expert engine builders — spend nearly 15 years in training.
- Four *takumi* craftsmen hand-build V-6 engines for the Nissan GT-R supercar.

In Decherd, Tenn.

- Infiniti's year-old plant mass-produces 2.0-liter, turbocharged, four-cylinder engines for Infiniti and Mercedes-Benz.
- Many employees are new to the auto industry.
- The plant uses a touch of *takumi*. Every employee must learn to build an entire engine by hand.

"Over here, they're going to know the whole engine by the time they get done," he says of new recruits.

Managers at the plant are cautious to ballyhoo their quality standards over those of the more established Nissan mother plant next door. They are quick to point out that the Nissan-brand engines that go into North America's Altimas, Maximas, Pathfinders, Titans and other models are perfectly high quality.

But Infiniti — and Daimler — wanted the new plant to be different.

"When we came here, we asked what we could do to enhance our quality beyond what we were already doing," says Jason Weddington, Infiniti's senior manager for quality at Decherd. "Nissan is already considered to be good. We want to be the best."

The plant recently achieved a newly established quality level known globally as "Infiniti 4.5," which sets guidelines on issues from finished product quality to whether workstations are lit adequately.

Plant quality officials decided the Infiniti operation needed to be as quiet as possible to enable workers to hear whether machinery was malfunctioning. To lower the sound level, a team enclosed a noisy area where factory pallets are washed. The hard wheels of parts cars were replaced with soft, rubber wheels to eliminate the clatter of parts movement.

"What does that have to do with making a luxury product?" Weddington asks. "The quieter we can make the manufacturing environment, the better the chance that a technician will pick up on an abnormal sound that's wrong. If they walk past a piece of equipment and hear a sound, they can stop and bring in maintenance."

'Let's break it down'

Technicians are encouraged to keep an eye on other parts of the production process.

Meanwhile, Daimler has become fascinated with Infiniti's holistic approach to training. A Daimler engineer who works in residence at the Tennessee plant has taken the hand-assembly training course himself. Visitors from Germany have asked to observe the classes.

"In this area," Leon says of the east Tennessee countryside, "for someone who first comes to work here, maybe the only Infiniti or Mercedes they have seen has been passing on the freeway.

"When they come into this plant and see the robots moving everywhere, it can be intimidating.

"Recognizing that, we say, let's break it down," he says. "This is the engine. Put your hands on it. This is what the parts feel like. This is what they do. This is how the parts work together.

"This is how it all fits together." AN

BENTLEY

Buyers are allowed to customize interiors

continued from Page 4

clude shipping.

Bentley touts the handmade quality of its cars. It takes 399 hours to build the flagship Mulsanne — 200 of those hours devoted to crafting the interior. It takes 104 hours to build a Continental GT coupe and 130 hours to build the Flying Spur sedan.

Production is being readied for next year's all-new Bentayga crossover. Projected volumes weren't disclosed. But in an interview with *Automotive News* earlier this year, Duerheimer said initially 3,600 will be built annually and one-third will go to the United States.

About 3,600 employees, including Duerheimer, work at Pyms Lane, with 546 on the Continental and Flying Spur production line and 144 on the Mulsanne line.

'World-famous fork'

Noel Thompson, 62, a skilled coach trimmer who has been at the factory for 46 years, demonstrated that the Bentley mix of old-world craftsmanship, nearly bespoke, and modern manufacturing can co-exist.

It takes 3½ to 4 hours to make a steering wheel. A $150,000 machine cuts the leather for each wheel, making it slightly narrower than the circumference so it can be stretched and glued.

Markings have to be made to show the worker where to hand-stitch the leather, Thompson said pulling out an aged eating utensil: "This is the world-famous fork.

"We have gone back to the old way of doing it — we use a fork," Thompson said as he poked the uniformly spaced marks into the leather as you would on a pie crust.

It takes two hours to sew thread around the wheel using a cross-stitch, he said. "I sew with two needles in one hand because you cross over quicker.

"I have done more of these than anyone else in the company."

Wood as thin as paper

Over at the wood shop, operations manager John Fisher displays the $250,000-plus stock of wood veneers of cigar-paper thickness. The veneers come from the root ball at the base of a tree — "that is where we get that classic burl effect," Fisher said.

The root ball is peeled on a lathe the way you would an apple.

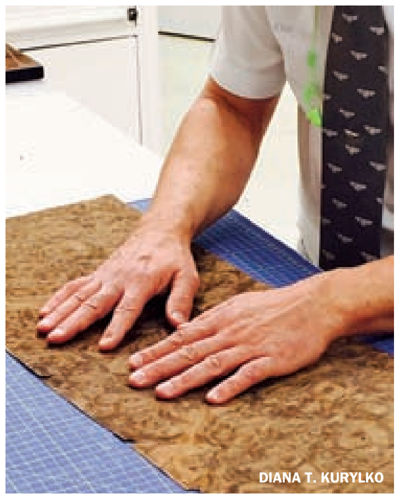
Bentley uses nine types of wood, including Madrone from the olive tree, Vavona from the giant redwood tree, walnut, cherry wood and eucalyptus. Sheets of about 0.6 mm are stacked by type and individual tree.

Fisher said the factory representative will go through 72,000 square meters of veneer from the supplier in Italy and "of that we will bring back 30 to 35 meters."

A single car requires anywhere from 17 to 24 sets of veneers that are mirror matched for left and right patterns. "On average to get about five square meters, we use 10 square meters to get rid of the imperfections," Fisher said.

The craftsman selects the wood, and it is cut by a laser. The pressed and flattened wood gets five coats of lacquer and is again flattened and polished by hand.

"We do have some automated polishing, but it is finished by hand due to the complexity of some of the parts," Fisher said.



DIANA T. KURYLKO

John Fisher, the Bentley plant's wood shop operations manager, matches paper-thin veneer for interiors.

They're just as fussy at the leather workshop, where only the skin of bulls is used for seats and trim because it is more taut than that of cows and has fewer imperfections.

Gary Lazenby, senior production manager for seats and leathers, says only leather is used for the seats and interior trim. "There are no plastic, synthetic or cloth seats."

The average Continental requires about 12 whole bull skins and about 250 individual pieces of leather. The Mulsanne's interior needs the skins from 17 bulls — about 400 pieces of leather.

The leather comes from across Europe, usually Germany, from slaughterhouses.

"We do not kill anything for the leather; everything is a byproduct — and, no, you are not the first to ask," Lazenby said.

Like the wood, the leather is inspected for defects, which are marked by hand and cut out. There are certain "minor" imperfections that can be used, but they will go under a seat or in an area where they are not visible, he said.

Bentley assembles its own seats — the frames and mechanicals come from Volkswagen. Workers sew in different areas, handling seats or dashboards or headliners. About 75 employees sew seats and "nothing else," Lazenby said. "We try to use the best technology, but we rely on the guys and the girls."

Bentley allows buyers to customize their interiors, which can be as simple as a crest on the headrest or as elaborate as offbeat colors and trim.

"We recently did a car with a black interior with pink stitching and a heart on the head rest," Lazenby said.

Going 'to the next level'

Customers like to go to the plant to make color and interior selections so Bentley opened a Lineage Studio two years ago. Classic Bentleys, graphics on how a Bentley is designed, samples of wood, leather and metal and even the latest auto show concepts are housed in a museum setting.

"It has stayed a lot longer than planned," especially since a lot of the traffic includes potential owners, said Brett Boydell, head of interior design. The studio shows "some of the things that make Bentley unique compared to other cars," Boydell says.

"What makes a Bentley a Bentley is the willingness to go to the next level."

And that means using not only leather, wood and polished metal but unusual materials that can also be premium, such as the copper and aluminum featured on the EXP 10 Speed 6 concept coupe unveiled at the Geneva auto show in March, Boydell said. The EXP 10 hasn't yet been approved for production, but Bentley executives say the car has received a thumbs-up at various auto shows and customer events.

Boydell designed the concept's interior. "There are concepts leading to where we want to go to, and you will see some of those going through the pipeline."

But the "core DNA," will remain — for instance the quilting on leather seats," Boydell said. "It is diamond patterned, and that is signature to Bentley on the sportier models. It is always on the top-of-the-line."

The wood on the interior of the doors has the diamond pattern in unusual places. "On the EXP 10, we milled into the wood," he said. "There are ways to keep your heritage but move the design forward." AN

GRUNDLER

Consumers like new fuel-saving tech

continued from Page 4

automakers that privately worry about investing huge sums in fuel-efficient vehicles that consumers may not buy in sufficient volumes.

The final shape of the rules won't be known until April 2018. By then, a new presidential administration will be in place, and automakers, the EPA, the National Highway Traffic Safety Administration and other stakeholders will have had a chance to review the feasibility of the national fuel economy program in a midterm evaluation. That evaluation was a key concession by the government that helped clinch industry support when the rules were enacted in 2012.

As part of the evaluation, Grundler said, the EPA will examine everything from the price of fuel to consumer acceptance of new technologies.

NHTSA also will play a role as overseer of the corporate average fuel economy requirements. By law, the agency can issue regulations only five years into the future, so the midterm review will guide its final CAFE requirements for the 2022 through 2025 model years.

Data gathering for the midterm evaluation is under way. Grundler said the EPA is studying consumer response to technologies such as stop-start systems, direct fuel injection, downsized turbocharged engines and transmissions with more than six speeds. The EPA will issue a report on these technologies in June 2016 and seek public comment, Grundler said.

That report will be a key milestone in the review, and be used by automakers and regulators as a measuring stick for progress.

Another such milestone was a report in June by the National Research Council on the technologies that automakers likely will use to reach the 2025 target. The report found that at current rates of progress, a midsize sedan could exceed 54 mpg without using expensive electrification technologies, such as a hybrid or battery-electric drive system.

But the 18-member committee of industry, academic and nonprofit stakeholders who authored the report couldn't pin down an estimate of how much more such a vehicle would cost to make; they settled instead on a range of between $1,181 and $1,658.

After the midterm review, Grundler said, the EPA administrator in office then will have three options: endorse the standards, toughen them or relax them.

Grundler, citing several vehicles on the road, noted that automakers are ahead of schedule in meeting the 2025 fuel economy target. The aluminum-body 2015 Ford F-150, for example, complies with 2024 standards, while the Ram 1500 and Chevrolet Silverado meet 2021 standards.

Grundler sought to bust some other myths about the federal standards. He said:

■ If consumers migrate to larger, less-efficient pickups and SUVs, automakers' individual fuel economy fleet standards will automatically adjust. "The standards adjust with sales mix," he said. "We are not forcing everyone into small cars. Americans can still choose vehicles that meet most of their needs."

■ Low fuel prices haven't affected consumers' desire to buy fuel-efficient vehicles.

■ Consumers have accepted and like new fuel-saving technologies, except for stop-start engines and continuously variable transmissions.

Despite the growing number of diesel and electrified vehicles, Grundler said he believes highly efficient gasoline engines will remain dominant through 2025. AN

Ryan Beene contributed to this report.

HERE

The 'Switzerland of mapping'

continued from Page 3

Mercedes trained an S500 sedan to drive 62 miles from Mannheim to Pforzheim, Germany, to show its progress, it followed a route premapped by Here.

In an internal video explaining the deal last week, Here President Sean Fernback said his company would function as a neutral "Switzerland of mapping" with independent management, offering its services to any company.

The company's customer list already includes nearly all of the world's largest automakers, including Ford, Fiat Chrysler, General Motors, Honda, Nissan and Toyota. All may ultimately be invited to join the consortium.

Yet it remains unclear whether consortium members would need to take an ownership stake in Here or simply provide money and data in exchange for the latest maps and services, said Kevin Hamlin, a senior analyst at IHS Automotive.

"The three members still need to define what the consortium is," he said, "and what benefits you're going to get out of it."

Opening up the consortium is more about pragmatism than altruism, Hamlin said.

While the German automakers see Here as a protective bulwark against reliance on companies such as Apple and Google, the cost of building and refining three-dimensional maps is daunting, even for three highly profitable companies.

Here has funded its work with revenue from selling traditional navigation maps to nearly all the world's auto powerhouses. If Audi, BMW and Daimler wanted to keep the fruits of its labor in house, they would need to bear those costs themselves.

"It's been very clear that whoever was the buyer at the end of the day, there had to be room for substantial investment," Fernback said in last week's video.

While it's rare for bitter rivals to band together on a high-tech business venture, it's not unprecedented.

Back in 2000, at the peak of the dot-com boom, Ford Motor Co., General Motors and DaimlerChrysler teamed up to form Covisint, envisioned as a way to cut procurement costs by handling billions of dollars worth of transactions among automakers and suppliers on a single online exchange.

It didn't work quite as intended, and not just because the dot-com bubble burst before Covisint could make a splashy IPO, said Dave Miller, a veteran of the Detroit-based company who is now its chief security officer.

"The most difficult thing for us was finding places where [automakers] agreed that things would be done in one way," Miller said. "The one part of the platform where they agreed to do things commonly is the one thing that's still part of our platform."

That thing was secure machine-to-machine messaging, which Covisint, now fully independent, uses to run security credentials for connected-car services such as GM's OnStar and Hyundai's BlueLink.

Reflecting on his experience, Miller urged Audi, BMW, Daimler and any future partners to respect Here's independence.

The lesson, he said, is to "keep your hands off it." AN

KOREA

Dealer: Buyers will get more choices

continued from Page 1

sis at automotive consultancy AutoPacific and a former product planner at Hyundai. "They're basically throwing darts at the wall, preparing for the future by having expertise in all of these types of vehicles."

On top of that, Hyundai is leasing a hydrogen-fueled version of its Tucson crossover and has examined bringing a diesel engine to the U.S., further preparing the Korean automaker to seize on any shift away from gasoline.

"We will take the lead in the future by raising the competitiveness of our environment-friendly cars," Reuters quoted Hyundai Motor CEO Choong-ho Kim as saying last year at an event in South Korea.

The dedicated hybrids are expected to ride on a modified version of the compact-car platform that underpins the next-generation Hyundai Elantra and Kia Forte and draw power from a direct-injected 1.6-liter gasoline engine paired with an electric motor.

Spy shots of the Kia in testing show a hatchback with design influences from a crossover, such as thick plastic wheel arches and blacked-out wheels. Spy shots of the Hyundai suggest it will be an aerodynamic liftback sedan like the Chevrolet Volt.

"They're going to great lengths to provide differentiation in design," Kim said.

Hyundai's new hybrid platform was designed for all-electric variants. Hyundai, which doesn't currently sell an EV, will add one for the 2017 model year. Kia, which currently offers an EV based on its Soul subcompact, isn't expected to offer a second.

Hyundai has encouraged its dealers to invest in charging stations for the new EV and plug-in hybrids, said Adam Kraushaar, president of Lester Glenn Hyundai in Toms River, N.J. The automaker also signaled that the EV rollout will be confined to states such as California that mandate sales of zero-emission vehicles.

Kim: "We will take the lead."

"The reality is with gas just above $2 a gallon here, a hybrid is less relevant," Kraushaar said. "But gas prices aren't going to stay down there. When they come back up and people start looking for hybrids again, it'll be very nice to be able to give buyers an option besides just the Prius." AN

Powering up

2016 Kia Soul EV

By the 2018 model year, Hyundai and Kia plan to have a much broader range of electrified vehicles on the market.

- Hyundai Sonata hybrid
- Hyundai Sonata plug-in hybrid
- Hyundai dedicated hybrid
- Hyundai EV
- Hyundai Tucson fuel cell EV
- Kia Optima hybrid
- Kia Optima plug-in hybrid
- Kia Soul EV
- Kia dedicated hybrid

LEXUS

Exec: Program won't be forced on dealers

continued from Page 8

"I'm sure there's a lot of thought that our dealers will put in about what that price is, based on whatever's happening in that particular marketplace."

The idea is taking hold at Lexus as the brand fights to reclaim U.S. luxury sales leadership — a position it lost to BMW in 2011.

Bracken predicted that the U.S. luxury market will be a "dogfight" for the rest of this year among Lexus, BMW and Mercedes-Benz. Lexus topped Mercedes, excluding Sprinter, and BMW in sales last month.

One-price selling made ripples in the car business with the 1990 launch of General Motors' ill-fated "no-haggle" Saturn brand. The approach has polarized the industry for 25 years. Supporters have hailed it as a brilliant way to woo consumers — particularly young customers — who dread negotiating on price. Critics dismiss it as simply unrealistic for an American public raised on bargaining for the best deal.

In the pilot program, Bracken's retailers will represent a cross section of markets, geographically dispersed across the country, ranging from small- to big-volume stores.

"We certainly wouldn't go down this path if we didn't think we could succeed with it," he said. He also vowed that "Lexus will never force this onto all 236 of our dealers."

The company expects the new approach to improve employee turnover, customer retention, conquest rates, dealer profitability and local market share for participating dealers.

"Once we move through this pilot, our plan is that other dealers will see how this will flourish and they'll pick up on it as well," Bracken said.

He said that Lexus is also repositioning its online presence to help shoppers learn more before they reach the showroom. As part of the pilot program, dealers will want customers to understand before they arrive that vehicle prices are non-negotiable.

Bracken said it will be possible for a customer to buy a vehicle online. But delivery will still go through a dealership, he emphasized.

"When Lexus began in 1989," Bracken recalls, "one of the keys for us was creating a level of care to consumers that had never been realized before.

"But the competition never relaxes," he says. "They're never going to roll over for us.

"So this is a logical step in our continuous improvement." AN

TRUECAR

Company mum on the next CEO

continued from Page 1

company faces the burden of reinventing itself yet again.

A normally brash Painter sounded contrite last week, accepting responsibility for TrueCar's predicament.

"I recognize that, as the founder of TrueCar, I have had a sometimes strained relationship with the very dealer community we exist to serve," he said, adding: "I do not believe that I have always communicated our value proposition to investors as effectively as I could have. Those things are on me."

The search for a successor lies in the hands of Christopher Claus, a TrueCar director and a former executive at United Services Automobile Association, which provides financial services to military families.

As TrueCar's biggest shareholder — with an 18 percent stake — and its largest source of consumer leads, USAA will play an important role in determining the company's course. The partnership with USAA is "absolutely crucial" to TrueCar's business model, said Ken Potter, former vice president of dealer development who left TrueCar in June.

For now, the company is mum on who might be tapped as CEO. One possible candidate is John Krafcik, an auto industry veteran who became TrueCar's president just ahead of its May 2014 public stock offering.

Painter's announcement came as TrueCar reported a $14.7 million net loss for the second quarter, slightly narrower than a year earlier but wider than initial forecasts.

Although those results were a key factor in Painter's departure, some cracks had begun to appear weeks earlier, when TrueCar and AutoNation broke off ties in a public spat.

Just who dumped whom depends on whom you ask. TrueCar said it wanted out because AutoNation was underreporting sales generated by TrueCar leads — costing TrueCar revenue. AutoNation says it refused to cave to TrueCar's demands for access to customer transaction data — something TrueCar said all its other dealers provide.

Yet other large dealership groups say their contracts with TrueCar have no such requirement. AN

U.S. light-vehicle sales by nameplate, July & 7 months 2015

Vehicles are domestic unless noted.

continued on next page

	July 2015	July 2014	7 mos. 2015	7 mos. 2014
ASTON MARTIN car (I)*	85	83	595	581
1/2 series (I)	1,028	638	6,370	3,906
3/4 series (I)	10,919	12,497	78,608	69,154
5 series (I)	2,186	5,676	25,767	33,293
6 series (I)	311	384	5,395	5,717
7 series (I)	916	544	6,139	5,255
i3 (I)	935	363	5,391	1,057
i8 (I)	217	0	950	0
Z4 (I)	118	120	1,190	1,333
Total BMW division car (I)	16,630	20,222	129,810	119,715
X1 (I)	1,189	1,003	7,094	12,314
X3	2,340	1,565	15,623	23,367
X4	407	318	3,553	318
X5	6,011	2,688	35,162	25,126
X6	393	613	4,351	2,951
Total BMW division truck (D/I)	10,340	6,187	65,783	64,076
BMW division (D)	9,151	5,184	58,689	51,762
BMW division (I)	17,819	21,225	136,904	132,029
Total BMW division	26,970	26,409	195,593	183,791
Mini Cooper S car (I)	3,988	3,628	25,970	17,159
Mini Countryman truck (I)	1,203	2,183	9,481	12,804
Total Mini	5,191	5,811	35,451	29,963
Rolls-Royce car (I)*	95	93	665	646
BMW Group car	20,713	23,943	156,445	137,520
BMW Group truck	11,543	8,370	75,264	76,880
BMW Group (D)	9,151	5,184	58,689	51,762
BMW Group (I)	23,105	27,129	173,020	162,638
BMW GROUP	32,256	32,313	231,709	214,400
B class (I)	196	41	1,368	41
C class (D)	*6,065*	*0*	*47,234*	*0*
C class (I)	*319*	*5,700*	*2,487*	*38,734*
Total C class	6,384	5,700	49,721	38,734
CL (I)	1	10	53	154
CLA (I)	2,439	2,378	18,542	12,954
CLK (I)	0	0	0	2
CLS (I)	1,238	705	4,039	3,899
E class (I)	4,893	6,648	27,145	41,244
GT (I)	89	0	696	0
S class (I)	1,414	1,920	11,994	13,151
SL (I)	330	318	2,531	2,860
SLK (I)	324	416	2,404	2,765
SLS (I)	0	18	27	178
Total Mercedes-Benz car (D/I)	17,308	18,154	118,520	115,982
G class (I)	254	252	1,962	1,738
GL	1,755	1,640	14,693	13,366
GLA (I)	2,040	0	14,353	0
GLK (I)	2,318	3,870	16,153	22,508
M class	3,851	3,276	26,811	25,216
R class	0	0	4	6
Sprinter	2,163	2,214	15,697	13,697
Total Mercedes-Benz truck (D/I)	12,381	11,252	89,673	76,531
Mercedes-Benz (D)	13,834	7,130	104,439	52,285
Mercedes-Benz (I)	15,855	22,276	103,754	140,228
Total Mercedes-Benz	29,689	29,406	208,193	192,513
Smart USA ForTwo car (I)	441	1,351	4,065	5,998
Daimler AG car	17,749	19,505	122,585	121,980
Daimler AG truck	12,381	11,252	89,673	76,531
Daimler AG (D)	13,834	7,130	104,439	52,285
Daimler AG (I)	16,296	23,627	107,819	146,226
DAIMLER AG	30,130	30,757	212,258	198,511
Alfa Romeo 4C car (I)	48	0	368	0
200	15,108	8,159	121,677	53,337
300	4,174	3,926	28,889	29,940
Total Chrysler Division car	19,282	12,085	150,566	83,277
Town & Country	6,440	11,370	45,404	81,246
Total Chrysler Division truck	6,440	11,370	45,404	81,246
Total Chrysler Division	25,722	23,455	195,970	164,523
Avenger	78	4,318	1,089	44,781
Challenger	5,151	4,294	42,162	30,575
Charger	5,821	5,539	56,582	55,306
Dart	5,866	7,483	54,921	45,450
Viper	63	46	414	400
Total Dodge car	16,979	21,680	155,168	176,512
Grand Caravan	7,566	9,473	44,442	81,539
Durango	4,824	4,807	35,618	37,682
Journey	8,280	7,158	59,563	54,309
Total Dodge truck	20,670	21,438	139,623	173,530
Total Dodge	37,649	43,118	294,791	350,042
Cargo van	26	861	3,101	5,651
ProMaster	1,522	1,217	13,599	6,924
ProMaster City (I)	590	0	3,668	0
Ram pickup	36,019	35,621	248,735	239,481
Total Ram truck (D/I)	38,157	37,699	269,103	252,056
Total Dodge/Ram	*75,806*	*80,817*	*563,894*	*602,098*
Fiat 500 car	1,959	2,371	17,349	20,550
500L (I)	314	1,436	6,390	8,229
500X (I)	962	0	1,294	0
Total Fiat truck (I)	1,276	1,436	7,684	8,229
Fiat (D)	1,959	2,371	17,349	20,550
Fiat (I)	1,276	1,436	7,684	8,229
Total Fiat	3,235	3,807	25,033	28,779
Cherokee	16,699	14,827	122,125	95,259
Compass	5,517	5,411	32,184	38,503
Grand Cherokee	15,867	15,169	108,947	104,782
Patriot	9,493	7,793	69,128	51,721
Renegade (I)	6,320	0	20,751	0
Wrangler	19,320	16,388	121,770	102,125
Total Jeep truck (D/I)	73,216	59,588	474,905	392,390
FCA US car	38,268	36,136	323,014	280,339
FCA US truck	139,759	131,531	936,719	907,451
FCA US (D)	169,793	166,231	1,227,699	1,179,561
FCA US (I)	8,234	1,436	32,471	8,229
FCA US	178,027	167,667	1,260,170	1,187,790
Ferrari car (I)*	177	176	1,239	1,230
Maserati car (I)	957	1,132	6,261	6,574
Fiat Chrysler Automobiles car	39,402	37,444	330,951	288,143
Fiat Chrysler Automobiles truck	139,759	131,531	936,719	907,451
Fiat Chrysler Automobiles (D)	169,793	166,231	1,227,699	1,179,561
Fiat Chrysler Automobiles (I)	9,368	2,744	39,971	16,033
FIAT CHRYSLER AUTOMOBILES†	179,161	168,975	1,267,670	1,195,594
C-Max	1,918	2,994	13,101	16,444
Fiesta	5,491	7,545	40,980	42,626
Focus	17,027	17,724	134,106	138,680
Fusion	25,105	23,942	178,263	189,440
Mustang	8,482	6,564	76,772	50,795
Taurus	4,795	6,627	29,967	41,721
Total Ford division car	62,818	65,396	473,189	479,706
E-series/Club Wagon	5	948	169	13,527
E-series van	3,337	9,040	31,056	63,366
Edge	10,020	8,564	73,615	69,632
Escape	29,253	26,558	175,669	179,448
Expedition	2,730	4,371	23,593	26,470
Explorer	23,381	19,006	145,785	123,466
F series	66,288	63,240	423,468	429,065
Flex	1,898	1,895	12,493	14,884
Transit	8,025	496	65,668	986
Transit Connect (I)	4,723	4,090	28,980	23,889
Total Ford division truck (D/I)	149,660	138,208	980,496	944,733
Ford division (D)	207,755	199,514	1,424,705	1,400,550
Ford division (I)	4,723	4,090	28,980	23,889
Total Ford division	212,478	203,604	1,453,685	1,424,439
MKS	544	530	4,373	5,218
MKZ	2,642	2,776	17,902	21,752
Total Lincoln car	3,186	3,306	22,275	26,970
MKC	2,455	1,534	13,787	2,895
MKT	591	406	2,694	3,153
MKX	2,519	1,983	11,268	15,080
Navigator	785	634	6,624	4,287
Total Lincoln truck	6,350	4,557	34,373	25,415
Total Lincoln	9,536	7,863	56,648	52,385
Ford Motor Co. car	66,004	68,702	495,464	506,676
Ford Motor Co. truck	156,010	142,765	1,014,869	970,148
Ford Motor Co. (D)	217,291	207,377	1,481,353	1,452,935
Ford Motor Co. (I)	4,723	4,090	28,980	23,889
FORD MOTOR CO.	222,014	211,467	1,510,333	1,476,824
LaCrosse	3,451	3,920	24,161	29,200
Regal	1,541	1,246	10,928	13,549
Verano	2,379	3,190	19,977	25,280
Total Buick car	7,371	8,356	55,066	68,029
Enclave	6,594	5,266	34,664	35,408
Encore (I)	6,826	4,061	37,375	27,718
Total Buick truck (D/I)	13,420	9,327	72,039	63,126
Buick (D)	13,965	13,622	89,730	103,437
Buick (I)	6,826	4,061	37,375	27,718
Total Buick	20,791	17,683	127,105	131,155
ATS	1,588	2,582	14,095	17,492
CTS	1,515	2,039	11,204	18,047
ELR	66	188	659	578
XTS	1,302	1,939	12,892	13,429
Total Cadillac car	4,471	6,748	38,850	49,546
Escalade	1,669	2,467	11,579	9,138
Escalade ESV	1,261	1,427	7,662	5,162
Escalade EXT	0	0	2	49
SRX	6,753	4,599	36,960	33,463
Total Cadillac truck	9,683	8,493	56,203	47,812
Total Cadillac	14,154	15,241	95,053	97,358
Camaro	7,469	9,961	50,062	56,633
Caprice (I)	140	357	943	2,089
Corvette	2,794	3,060	21,101	20,804
Cruze	21,339	20,926	149,277	166,264
Impala	8,156	9,636	66,227	88,135
Malibu	16,022	13,537	112,542	117,042
Sonic	5,102	6,430	42,078	56,820
Spark (I)	3,287	3,715	22,696	26,014
SS (I)	321	241	1,855	1,903
Volt	1,313	2,020	6,935	10,635
Total Chevrolet car (D/I)	65,943	69,883	473,716	546,339
Avalanche	0	0	8	82
Captiva Sport	1	4,497	54	33,308
City Express	1,004	0	5,288	0
Colorado	7,209	0	48,784	73
Equinox	21,609	25,321	167,294	146,152
Express van	5,323	7,873	32,020	47,387
Silverado	56,380	42,097	332,202	282,776
Suburban	4,309	5,168	27,695	28,739
Tahoe	8,297	10,783	50,388	56,621
Traverse	12,604	9,533	74,034	61,586
Trax	6,111	0	30,926	0
Total Chevrolet truck	122,847	105,272	768,693	656,724
Chevrolet (D)	185,042	170,842	1,216,915	1,173,057
Chevrolet (I)	3,748	4,313	25,494	30,006
Total Chevrolet	188,790	175,155	1,242,409	1,203,063
Acadia	10,671	8,095	59,726	49,265
Canyon	2,654	0	17,671	5
Savana van	981	3,593	14,920	19,862
Sierra	19,808	17,488	120,658	110,679
Terrain	8,813	10,767	63,223	61,454
Yukon	3,551	4,139	21,555	22,743
Yukon XL	2,299	3,999	15,737	16,444
Total GMC truck	48,777	48,081	313,490	280,452
General Motors car	77,785	84,987	567,632	663,914
General Motors truck	194,727	171,173	1,210,425	1,048,114
General Motors (D)	261,938	247,786	1,715,188	1,654,304
General Motors (I)	10,574	8,374	62,869	57,724
GENERAL MOTORS	272,512	256,160	1,778,057	1,712,028
ILX	1,613	1,235	10,084	9,592
RL/RLX (I)	213	208	1,413	2,292
TL	3	736	84	9,752
TLX	3,530	0	25,702	0
TSX (I)	2	479	30	5,904
Total Acura car (D/I)	5,361	2,658	37,313	27,540
MDX	4,977	6,283	34,397	36,947
RDX	4,577	3,532	30,290	25,881
ZDX	0	7	2	63
Total Acura truck	9,554	9,822	64,689	62,891
Acura (D)	14,700	11,793	100,559	82,235
Acura (I)	215	687	1,443	8,196
Total Acura	14,915	12,480	102,002	90,431
Accord (D)	*34,495*	*35,032*	*190,182*	*220,130*
Accord (I)	*1*	*41*	*60*	*221*
Total Accord	34,496	35,073	190,242	220,351
Civic (D)	*31,139*	*30,035*	*189,438*	*197,106*
Civic (I)	*0*	*3*	*2*	*29*
Total Civic	31,139	30,038	189,440	197,135
Crosstour	924	854	5,520	7,232
CR-Z (I)	270	356	1,562	2,355
FCX (I)	0	0	0	1
Fit (D)	*4,330*	*4,709*	*39,914*	*7,317*
Fit (I)	*2*	*406*	*52*	*19,622*
Total Fit	4,332	5,115	39,966	26,939
Insight (I)	113	291	1,204	2,624
Total Honda Division car (D/I)	71,274	71,727	427,934	456,637
CR-V (D)	*31,785*	*28,522*	*194,798*	*183,214*
CR-V (I)	*0*	*0*	*5*	*0*
Total CR-V	31,785	28,522	194,803	183,214
HR-V	5,909	0	20,050	0
Odyssey	12,851	10,906	75,487	74,203
Pilot	9,584	10,933	78,540	61,613
Ridgeline	6	1,340	509	9,246
Total Honda Division truck (D/I)	60,135	51,701	369,389	328,276
Honda Division (D)	131,023	122,331	794,438	760,061
Honda Division (I)	386	1,097	2,885	24,852
Total Honda Division	131,409	123,428	797,323	784,913
American Honda car	76,635	74,385	465,247	484,177
American Honda truck	69,689	61,523	434,078	391,167
American Honda (D)	145,723	134,124	894,997	842,296
American Honda (I)	601	1,784	4,328	33,048
AMERICAN HONDA MOTOR CO.	146,324	135,908	899,325	875,344
Accent (I)	4,276	3,755	40,252	38,019
Azera (I)	414	512	4,067	4,703
Elantra	22,135	22,213	150,833	134,710
Equus (I)	174	305	1,333	2,082
Genesis (I)	2,474	2,990	19,744	17,036
Sonata	23,917	22,577	119,738	128,924
Veloster (I)	2,060	2,237	13,261	17,207
Total Hyundai division car (D/I)	55,450	54,589	349,228	342,681
Santa Fe	11,655	8,655	66,393	60,660
Tucson (I)	3,908	3,767	26,542	28,103
Veracruz (I)	0	0	0	1
Total Hyundai division truck (D/I)	15,563	12,422	92,935	88,764
Hyundai division (D)	57,707	53,445	336,964	324,294
Hyundai division (I)	13,306	13,566	105,199	107,151
Total Hyundai division	71,013	67,011	442,163	431,445
Cadenza (I)	410	587	3,699	6,002
Forte (I)	7,868	5,566	51,050	43,517
K900 (I)	480	132	1,190	948
Optima	12,638	13,588	92,604	96,401
Rio (I)	2,227	3,791	17,062	23,757
Soul (I)	13,975	14,709	81,961	89,708
Total Kia car (D/I)	37,598	38,373	247,566	260,333
Sedona (I)	3,672	775	24,280	4,351
Sorento	9,749	8,749	66,170	60,670
Sportage (I)	5,292	4,412	29,247	24,368
Total Kia truck (D/I)	18,713	13,936	119,697	89,389
Kia (D)	22,387	22,337	158,774	157,071
Kia (I)	33,924	29,972	208,489	192,651
Total Kia	56,311	52,309	367,263	349,722
Hyundai-Kia car	93,048	92,962	596,794	603,014
Hyundai-Kia truck	34,276	26,358	212,632	178,153
Hyundai-Kia (D)	80,094	75,782	495,738	481,365
Hyundai-Kia (I)	47,230	43,538	313,688	299,802
HYUNDAI-KIA	127,324	119,320	809,426	781,167
F-Type	425	501	2,577	2,238
XF (I)	470	240	4,060	3,682
XJ (I)	336	305	2,192	2,627
XK (I)	11	141	249	957
Total Jaguar car (I)	1,242	1,187	9,078	9,504
Discovery Sport (I)	481	0	1,380	0
LR2 (I)	2	335	71	2,393
LR4 (I)	693	533	5,052	2,614
Range Rover (I)	1,000	1,273	10,166	7,238
Range Rover Evoque (I)	1,497	888	8,143	7,164
Range Rover Sport (I)	1,338	1,614	12,511	11,420
Total Land Rover truck (I)	5,011	4,643	37,323	30,829
JAGUAR LAND ROVER N.A.	6,253	5,830	46,401	40,333
LOTUS car (I)*	13	12	87	80
Mazda2 (I)	10	2,075	283	10,032
Mazda3 (D)	*0*	*0*	*6*	*3*
Mazda3 (I)	*9,504*	*9,381*	*64,376*	*61,526*
Total Mazda3	9,504	9,381	64,382	61,529
Mazda6 (I)	4,841	5,046	37,148	31,964
MX-5 Miata (I)	1,130	399	3,784	3,062
Total Mazda car (D/I)	15,485	16,901	105,597	106,587
CX-5 (I)	9,530	9,109	62,873	59,384
CX-9 (I)	1,591	1,678	10,848	10,932
Mazda5 (I)	551	1,547	6,835	8,762
Total Mazda truck (I)	11,672	12,334	80,556	79,078
Mazda (D)	0	0	6	3
Mazda (I)	27,157	29,235	186,147	185,662
MAZDA	27,157	29,235	186,153	185,665
Galant	0	0	0	122
i-MiEV (I)	12	17	84	114
Lancer (I)	1,292	1,178	11,914	10,026
Mirage (I)	1,553	1,593	15,054	9,860
Total Mitsubishi car (D/I)	2,857	2,788	27,052	20,122
Outlander (I)	1,769	951	9,225	7,967
Outlander Sport	3,242	2,610	21,135	17,932
Total Mitsubishi truck (D/I)	5,011	3,561	30,360	25,899
Mitsubishi (D)	3,242	2,610	21,135	18,054
Mitsubishi (I)	4,626	3,739	36,277	27,967
MITSUBISHI	7,868	6,349	57,412	46,021
Q40/Q60 (I)	726	2,022	10,695	14,483
Q50 (I)	3,807	2,461	24,207	20,467
Q70 (I)	572	272	5,056	2,997
Total Infiniti car (I)	5,105	4,755	39,958	37,947
QX50 (I)	182	226	1,614	1,653
QX60	3,760	2,232	21,538	17,831
QX70 (I)	310	373	3,201	3,278
QX80 (I)	1,076	952	8,402	7,170
Total Infiniti truck (D/I)	5,328	3,783	34,755	29,932
Infiniti (D)	3,760	2,232	21,538	17,831
Infiniti (I)	6,673	6,306	53,175	50,048
Total Infiniti	10,433	8,538	74,713	67,879
370Z (I)	673	636	4,674	4,750
Altima	33,842	26,654	205,873	203,107
Cube (I)	52	324	842	2,618
GT-R (I)	66	91	826	651
Juke (I)	2,347	2,325	16,994	28,086
Leaf (D)	*1,174*	*3,017*	*10,987*	*15,736*
Leaf (I)	*0*	*2*	*3*	*19*
Total Leaf	1,174	3,019	10,990	15,755
Maxima	4,175	5,790	18,680	29,241
Sentra	18,511	17,579	124,412	111,477
Versa	9,949	15,630	76,904	83,570
Total Nissan Division car (D/I)	70,789	72,048	460,195	479,255
Armada	878	948	8,067	7,405
Frontier	4,194	5,797	38,999	41,740
Murano (D)	*2,784*	*0*	*14,636*	*0*
Murano (I)	*2,675*	*4,640*	*19,298*	*25,065*
Total Murano	5,459	4,640	33,934	25,065
NV	1,526	1,230	9,712	8,687
NV200	1,493	1,338	9,933	7,168
Pathfinder	7,802	7,364	49,740	47,328
Quest (I)	895	786	6,295	7,156
Rogue (D)	*12,497*	*9,082*	*87,899*	*65,781*
Rogue (I)	*12,584*	*7,536*	*72,579*	*50,139*
Total Rogue	25,081	16,618	160,478	115,920
Titan	1,126	1,072	7,175	7,488
Xterra	1,196	1,073	8,114	10,838
Total Nissan Division truck (D/I)	49,650	40,866	332,447	278,795
Nissan Division (D)	101,147	96,574	671,131	639,566
Nissan Division (I)	19,292	16,340	121,511	118,484
Total Nissan Division	120,439	112,914	792,642	758,050
Nissan N.A. car	75,894	76,803	500,153	517,202
Nissan N.A. truck	54,978	44,649	367,202	308,727
Nissan N.A. (D)	104,907	98,806	692,669	657,397
Nissan N.A. (I)	25,965	22,646	174,686	168,532
NISSAN N.A.	130,872	121,452	867,355	825,929
BRZ (I)	525	724	3,334	5,019
Impreza (I)	10,243	7,373	56,584	51,707
Legacy	4,500	4,679	33,673	22,533
Outback	10,863	11,768	82,180	74,523
Total Subaru car (D/I)	26,131	24,544	175,771	153,782
Forester (I)	15,811	14,524	96,639	88,924
Tribeca	0	43	0	648
XV Crosstrek (I)	8,575	6,603	50,525	40,368
Total Subaru truck (D/I)	24,386	21,170	147,164	129,940
Subaru (D)	15,363	16,490	115,853	97,704
Subaru (I)	35,154	29,224	207,082	186,018
SUBARU	50,517	45,714	322,935	283,722
Model S	1,700	1,500	11,900	10,500
TESLA*	1,700	1,500	11,900	10,500
CT (I)	1,374	1,979	8,497	10,316
ES (I)	5,440	6,326	34,481	39,496
GS (I)	1,701	2,001	12,843	12,123
IS (I)	4,280	4,542	27,700	28,115
LFA (I)	1	0	6	12
LS (I)	631	624	4,332	4,578
RC (I)	1,232	0	7,962	0
Total Lexus car (I)	14,659	15,472	95,821	94,640

U.S. light-vehicle sales – continued

	July 2015	July 2014	7 mos. 2015	7 mos. 2014
GX (I)	2,337	1,955	14,028	12,231
LX (I)	219	248	1,886	2,229
NX (I)	4,337	0	24,386	0
RX (D)	*7,942*	*8,356*	*49,980*	*45,392*
RX (I)	*322*	*1,302*	*2,563*	*11,530*
Total RX	8,264	9,658	52,543	56,922
Total Lexus truck (D/I)	**15,157**	**11,861**	**92,843**	**71,382**
Lexus (D)	**7,942**	**8,356**	**49,980**	**45,392**
Lexus (I)	**21,874**	**18,977**	**138,684**	**120,630**
Total Lexus	**29,816**	**27,333**	**188,664**	**166,022**
FR-S (I)	1,058	1,171	6,806	8,833
iQ (I)	27	174	449	1,401
tC (I)	1,421	1,685	10,783	10,928
xB (I)	1,316	1,415	10,008	9,633
xD (I)	43	682	750	4,968
Total Scion car (I)	**3,865**	**5,127**	**28,796**	**35,763**
Avalon	5,281	6,092	33,999	38,123
Camry (D)	*38,421*	*39,868*	*254,133*	*262,323*
Camry (I)	*14*	*20*	*118*	*105*
Total Camry	38,435	39,888	254,251	262,428
Corolla (D)	*30,249*	*30,833*	*220,380*	*205,122*
Corolla (I)	*0*	*0*	*0*	*65*
Total Corolla	30,249	30,833	220,380	205,187
Prius (I)	17,924	20,675	108,073	127,776
Venza	2,229	2,540	15,426	18,794
Yaris (I)	1,403	686	14,091	9,218
Total Toyota Division car (D/I)	**95,521**	**100,714**	**646,220**	**661,526**
4Runner (I)	8,383	6,662	54,585	41,955
FJ Cruiser (I)	3	1,424	221	9,661
Highlander (D)	*12,423*	*11,093*	*89,053*	*81,374*
Highlander (I)	*304*	*264*	*2,062*	*2,121*
Total Highlander	12,727	11,357	91,115	83,495
Land Cruiser (I)	182	213	1,473	1,706
RAV4 (D)	*15,694*	*16,745*	*114,369*	*98,570*
RAV4 (I)	*11,015*	*10,034*	*55,915*	*45,161*
Total RAV4	26,709	26,779	170,284	143,731
Sequoia	1,015	971	7,107	6,901
Sienna	11,416	11,661	82,797	73,952
Tacoma	17,033	13,249	105,834	88,398
Tundra	10,511	10,312	71,525	68,299
Total Toyota Division truck (D/I)	**87,979**	**82,628**	**584,941**	**518,098**
Toyota Division (D)	**144,272**	**143,364**	**994,623**	**941,856**
Toyota Division (I)	**39,228**	**39,978**	**236,538**	**237,768**
Total Toyota Division	**183,500**	**183,342**	**1,231,161**	**1,179,624**
Toyota Motor Sales car	**114,045**	**121,313**	**770,837**	**791,929**
Toyota Motor Sales truck	**103,136**	**94,489**	**677,784**	**589,480**
Toyota Motor Sales (D)	**152,214**	**151,720**	**1,044,603**	**987,248**
Toyota Motor Sales (I)	**64,967**	**64,082**	**404,018**	**394,161**
TOYOTA MOTOR SALES	**217,181**	**215,802**	**1,448,621**	**1,381,409**
A3 (I)	3,167	2,164	21,072	9,899
A4/S4 (I)	2,218	2,717	15,765	20,116
A5/S5 (I)	1,105	1,610	7,824	10,148
A6/S6 (I)	1,928	1,820	13,337	13,730
A7/S7 (I)	749	647	4,125	5,116
A8/S8 (I)	418	503	2,935	3,137
R8 (I)	41	53	404	475
TT (I)	8	101	24	970
Total Audi car (I)	**9,634**	**9,615**	**65,486**	**63,591**
allroad (I)	215	366	1,540	2,376
Q3 (I)	1,166	0	7,413	0
Q5 (I)	4,700	3,189	26,366	23,117
Q7 (I)	1,939	1,446	10,464	9,881
Total Audi truck (I)	**8,020**	**5,001**	**45,783**	**35,374**
Total Audi (I)	**17,654**	**14,616**	**111,269**	**98,965**
Bentley car (I)	**208**	**201**	**1,457**	**1,509**
Lamborghini car (I)*	**63**	**61**	**441**	**427**
911 Carrera/Carrera 4 (I)	778	849	5,850	6,017
918 Spyder (I)	40	3	175	4
Boxster (I)	253	292	1,808	2,402
Cayman (I)	285	267	1,918	2,043
Panamera (I)	370	391	2,862	3,516
Total Porsche car (I)	**1,726**	**1,802**	**12,613**	**13,982**
Cayenne (I)	1,471	1,546	9,474	10,259
Macan (I)	1,533	952	7,781	2,978
Total Porsche truck (I)	**3,004**	**2,498**	**17,255**	**13,237**
Total Porsche (I)	**4,730**	**4,300**	**29,868**	**27,219**
Beetle	2,309	2,452	15,400	18,580
CC (I)	479	790	3,560	6,743
Eos (I)	246	352	1,592	2,301
Golf (D)	*1,890*	*719*	*13,127*	*5,402*
Golf/Golf R/GTI (I)	*4,827*	*1,727*	*24,314*	*8,513*
Total Golf/Golf R/GTI	6,717	2,446	37,441	13,915
Jetta	11,562	13,142	78,580	89,449
Passat	6,904	8,668	49,099	58,443
Total VW division car (D/I)	**28,217**	**27,850**	**185,672**	**189,431**
Routan	0	1	0	1,103
Tiguan (I)	2,407	2,121	16,084	15,295
Touareg (I)	676	581	3,986	3,868
Total VW division truck (D/I)	**3,083**	**2,703**	**20,070**	**20,266**
VW division (D)	**22,665**	**24,982**	**156,206**	**172,977**
VW division (I)	**8,635**	**5,571**	**49,536**	**36,720**
Total VW division	**31,300**	**30,553**	**205,742**	**209,697**
VW Group of America car	**39,848**	**39,529**	**265,669**	**268,940**
VW Group of America truck	**14,107**	**10,202**	**83,108**	**68,877**
VW Group of America (D)	**22,665**	**24,982**	**156,206**	**172,977**
VW Group of America (I)	**31,290**	**24,749**	**192,571**	**164,840**
VW GROUP OF AMERICA	**53,955**	**49,731**	**348,777**	**337,817**
30 series (I)	0	0	0	64
60 series (I)	1,857	2,181	14,171	16,141
70 series (I)	405	483	3,059	3,393
80 series (I)	35	118	958	1,079
Total Volvo car (I)	**2,297**	**2,782**	**18,188**	**20,677**
XC60 (I)	2,146	1,732	14,056	10,516
XC90 (I)	1,176	380	2,741	3,031
Total Volvo truck (I)	**3,322**	**2,112**	**16,797**	**13,547**
VOLVO CARS N.A.	**5,619**	**4,894**	**34,985**	**34,224**
Domestic car	502,609	507,422	3,476,777	3,479,135
Import car	168,324	181,948	1,143,268	1,226,193
Total U.S. car	**670,933**	**689,370**	**4,620,045**	**4,705,328**
Domestic light truck	695,306	632,300	4,543,698	4,179,256
Import light truck	144,702	113,832	870,256	715,565
Total U.S. light truck	**840,008**	**746,132**	**5,413,954**	**4,894,821**
Total domestic light vehicle	**1,197,915**	**1,139,722**	**8,020,475**	**7,658,391**
Total import light vehicle	**313,026**	**295,780**	**2,013,524**	**1,941,758**
TOTAL U.S. LIGHT VEHICLE	**1,510,941**	**1,435,502**	**10,033,999**	**9,600,149**

*Estimate

†Fiat S.p.A. completed the acquisition of Chrysler Group LLC on Jan. 21, 2014;
the companies were merged under holding group Fiat Chrysler Automobiles on Oct. 12, 2014.

Note: (D) = produced in North America; (I) = imported to U.S.

Source: Automotive News Data Center

Lexus revs for run at luxury title

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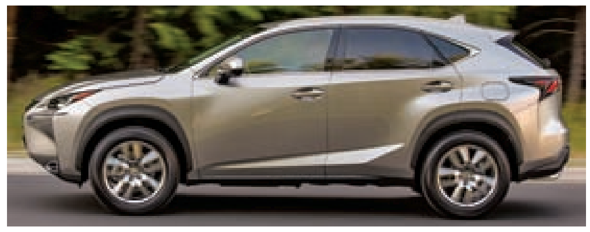

Brisk sales of the NX compact crossover helped Lexus beat BMW and M-B in July.

Lexus reigned as the top-selling U.S. luxury brand for 11 straight years until 2011, when the tsunami that rocked Japan enabled BMW and Mercedes-Benz to zoom ahead.

Now, it's revving up for a serious run at reclaiming the luxury crown.

Thanks to brisk sales of its compact crossover, the NX, Lexus in July bested both BMW and Mercedes in sales, just the fifth time it has done so since the summer of 2012. And it is likely to see a surge when the all-new 2016 RX begins arriving in showrooms by the end of the year.

A refreshed GS sport sedan also is due in the fall.

"It'll be very interesting to see how the rest of the year plays out because so much of the new product that we have is starting to hit, now through the end of the calendar year," said Jeff Bracken, Lexus general manager. "So it's going to be a dogfight as we move through the balance of the year."

Lexus is close enough to the German giants in year-to-date sales that a late run could lift it to the top spot. Through July, it trails Mercedes by fewer than 4,000 vehicles and BMW by fewer than 7,000. At this time last year, those gaps were nearly three times as large.

And the RX is the kind of rare, high-volume luxury model that can make a difference in the race. It is Lexus' top-selling vehicle and only one of two nameplates in the luxury segment that have racked up annual sales of more than 100,000 vehicles. The other is the BMW 3 series.

"Lexus has pretty much come back with a vengeance against the German brands, and the RX is only going to add to that," said Jessica Caldwell, senior analyst at Edmunds.com.

Lexus is speeding ahead in large part because of its bet on the hot, small-crossover segment. So far this year, it has sold 24,386 NXs — nearly equal to the combined sales of the Cadillac ATS and CTS sedans. It's all additional volume because this is the NX's first year on the market.

"The incremental volume is really helping Lexus," Caldwell said.

BMW and Mercedes-Benz also have fielded new small crossovers this year but have had less sensational sales. Sales of the Mercedes GLA have totaled 14,353 in the first seven months; BMW has sold 3,553 X4s.

Bracken said the NX sells for $34,000 to $35,000, a price point consumers can handle better than that of most cars in the luxury range. "There's more volume there," Bracken said. AN

Lindsay Chappell contributed to this report.

SALES

17 million SAAR could stick around

continued from Page **1**

out in a few weeks. An updated Hyundai Sonata, featuring Android Auto and Apple CarPlay smartphone connectivity, is also on tap.

John Mendel, executive vice president of American Honda, said his company's sales should be helped by the new iron.

"I think the Accord is going to be a strong addition," he said. And the redesign showcased at the New York auto show in April "should really reignite the Civic in the market as we come into the fourth quarter."

In July, light-vehicle sales rose 5.3 percent, paced by light-truck sales, which jumped 13 percent, offsetting a 2.7 percent drop in car sales. Ford Motor Co., Nissan North America, American Honda Motor Co., GM, Fiat Chrysler and Hyundai-Kia all had gains between 5 and 8 percent, while Subaru scored its sixth double-digit advance of the year.

The seasonally adjusted annual sales rate jumped to 17.55 million, the second highest level since January 2006. The only higher spike came in May, when the SAAR reached 17.69 million.

The SAAR now has topped 17 million in four out of seven months this year, and the arrival of new products could help it stay there.

The impact of fresh product already has been pronounced this year. The introduction of a redesigned Golf family helped reverse Volkswagen's slide in the U.S. Combined Golf sales, including those of the high-performance Golf R and electric e-Golf, were 6,717 in July, more than double the level of July 2014. VW has posted three straight monthly increases in sales after a long, nearly uninterrupted, losing streak.

Lexus' NX crossover, introduced a year ago, powered the brand to the front of the luxury race in July and has put it well within striking distance of Mercedes-Benz and BMW for the year. (See story, above.)

Light trucks continue to dominate the vehicle mix across the industry as gasoline prices remain low and a favorable credit environment makes it easier for consumers to purchase larger vehicles.

July marked the 19th consecutive month that light trucks outsold cars, with pickups and crossovers the two fastest-growing product segments. Most SUV segments are selling faster than cars, though many large SUVs struggled in July and generated lower volumes.

"This feels like more of a real 17-million-plus month and not one based on calendar quirks," Mark Wakefield, AlixPartners' auto analyst, said of the better-than-expected July sales. "There's nothing special about July except that there's consumers who aren't worried and respond to the positive factors like jobs and economic growth and low gas prices."

Automakers expressed confidence that the sales pace will continue above the 17-million-vehicle mark in August.

Fred Diaz, Nissan's senior vice president for U.S. sales and marketing, said: "I see no reason for us to doubt we're going to have a SAAR at 17 million or higher." AN

Top 10 vehicles

July 2015

1. Ford F series	66,288
2. Chevrolet Silverado	56,380
3. Toyota Camry	38,435
4. Ram pickup	36,019
5. Honda Accord	34,496
6. Nissan Altima	33,842
7. Honda CR-V	31,785
8. Honda Civic	31,139
9. Toyota Corolla	30,249
10. Ford Escape	29,253

Source: Automotive News Data Center

Top 10 vehicles

7 months 2015

1. Ford F series	423,468
2. Chevrolet Silverado	332,202
3. Toyota Camry	254,251
4. Ram pickup	248,735
5. Toyota Corolla	220,380
6. Nissan Altima	205,873
7. Honda CR-V	194,803
8. Honda Accord	190,242
9. Honda Civic	189,440
10. Ford Fusion	178,263

Source: Automotive News Data Center

Winners and losers

July 2015

Change in sales from July 2014

Winners

1. Mitsubishi	23.9%
2. Jeep	22.9%
3. Infiniti	22.2%
4. Lincoln	21.3%
5. Audi	20.8%

Losers

1. Smart	–67.4%
2. Scion	–24.6%
3. Maserati	–15.5%
4. Fiat	–15.0%
5. Dodge	–12.7%

Source: Automotive News Data Center

Winners and losers

7 months 2015

Change in sales from 7 mos. 2014

Winners

1. Mitsubishi	24.8%
2. Land Rover	21.1%
3. Jeep	21.0%
4. Chrysler Division	19.1%
5. Mini	18.3%

Losers

1. Smart	–32.2%
2. Scion	–19.5%
3. Dodge	–15.8%
4. Fiat	–13.0%
5. Maserati	-4.8%

Source: Automotive News Data Center

Perspective

How the past 5 Julys rank for U.S. light-vehicle sales

1. 2015	**1,510,941**
2. 2014	1,435,502
3. 2013	1,315,263
4. 2012	1,153,830
5. 2011	1,059,780

Source: Automotive News Data Center

U.S. car and light-truck sales by make – July 2015 (Ranked by total sales)

Make	Car 2015	Car 2014	2015 share	2014 share	Percent change	Truck 2015	Truck 2014	2015 share	2014 share	Percent change	Total 2015	Total 2014	2015 share	2014 share	Percent change
Ford division	62,818	65,396	9.4	9.5	–3.9%	149,660	138,208	17.8	18.5	8.3%	212,478	203,604	14.1	14.2	4.4%
Chevrolet	65,943	69,883	9.8	10.1	–5.6	122,847	105,272	14.6	14.1	16.7	188,790	175,155	12.5	12.2	7.8
Toyota Division	95,521	100,714	14.2	14.6	–5.2	87,979	82,628	10.5	11.1	6.5	183,500	183,342	12.1	12.8	0.1
Honda Division	71,274	71,727	10.6	10.4	–0.6	60,135	51,701	7.2	6.9	16.3	131,409	123,428	8.7	8.6	6.5
Nissan Division	70,789	72,048	10.6	10.5	–1.7	49,650	40,866	5.9	5.5	21.5	120,439	112,914	8.0	7.9	6.7
Jeep	–	–	–	–	–	73,216	59,588	8.7	8.0	22.9	73,216	59,588	4.8	4.2	22.9
Hyundai division	55,450	54,589	8.3	7.9	1.6	15,563	12,422	1.9	1.7	25.3	71,013	67,011	4.7	4.7	6.0
Kia	37,598	38,373	5.6	5.6	–2.0	18,713	13,936	2.2	1.9	34.3	56,311	52,309	3.7	3.6	7.7
Subaru	26,131	24,544	3.9	3.6	6.5	24,386	21,170	2.9	2.8	15.2	50,517	45,714	3.3	3.2	10.5
GMC	–	–	–	–	–	48,777	48,081	5.8	6.4	1.4	48,777	48,081	3.2	3.3	1.4
Ram	–	–	–	–	–	38,157	37,699	4.5	5.1	1.2	38,157	37,699	2.5	2.6	1.2
Dodge	16,979	21,680	2.5	3.1	–21.7	20,670	21,438	2.5	2.9	–3.6	37,649	43,118	2.5	3.0	–12.7
Volkswagen division	28,217	27,850	4.2	4.0	1.3	3,083	2,703	0.4	0.4	14.1	31,300	30,553	2.1	2.1	2.4
Lexus	14,659	15,472	2.2	2.2	–5.3	15,157	11,861	1.8	1.6	27.8	29,816	27,333	2.0	1.9	9.1
Mercedes-Benz	17,308	18,154	2.6	2.6	–4.7	12,381	11,252	1.5	1.5	10.0	29,689	29,406	2.0	2.0	1.0
Mazda	15,485	16,901	2.3	2.5	–8.4	11,672	12,334	1.4	1.7	–5.4	27,157	29,235	1.8	2.0	–7.1
BMW division	16,630	20,222	2.5	2.9	–17.8	10,340	6,187	1.2	0.8	67.1	26,970	26,409	1.8	1.8	2.1
Chrysler Division	19,282	12,085	2.9	1.8	59.6	6,440	11,370	0.8	1.5	–43.4	25,722	23,455	1.7	1.6	9.7
Buick	7,371	8,356	1.1	1.2	–11.8	13,420	9,327	1.6	1.3	43.9	20,791	17,683	1.4	1.2	17.6
Audi	9,634	9,615	1.4	1.4	0.2	8,020	5,001	1.0	0.7	60.4	17,654	14,616	1.2	1.0	20.8
Acura	5,361	2,658	0.8	0.4	101.7	9,554	9,822	1.1	1.3	–2.7	14,915	12,480	1.0	0.9	19.5
Cadillac	4,471	6,748	0.7	1.0	–33.7	9,683	8,493	1.2	1.1	14.0	14,154	15,241	0.9	1.1	–7.1
Infiniti	5,105	4,755	0.8	0.7	7.4	5,328	3,783	0.6	0.5	40.8	10,433	8,538	0.7	0.6	22.2
Lincoln	3,186	3,306	0.5	0.5	–3.6	6,350	4,557	0.8	0.6	39.3	9,536	7,863	0.6	0.5	21.3
Mitsubishi	2,857	2,788	0.4	0.4	2.5	5,011	3,561	0.6	0.5	40.7	7,868	6,349	0.5	0.4	23.9
Volvo	2,297	2,782	0.3	0.4	–17.4	3,322	2,112	0.4	0.3	57.3	5,619	4,894	0.4	0.3	14.8
Mini	3,988	3,628	0.6	0.5	9.9	1,203	2,183	0.1	0.3	–44.9	5,191	5,811	0.3	0.4	–10.7
Land Rover	–	–	–	–	–	5,011	4,643	0.6	0.6	7.9	5,011	4,643	0.3	0.3	7.9
Porsche	1,726	1,802	0.3	0.3	–4.2	3,004	2,498	0.4	0.3	20.3	4,730	4,300	0.3	0.3	10.0
Scion	3,865	5,127	0.6	0.7	–24.6	–	–	–	–	–	3,865	5,127	0.3	0.4	–24.6
Fiat	1,959	2,371	0.3	0.3	–17.4	1,276	1,436	0.2	0.2	–11.1	3,235	3,807	0.2	0.3	–15.0
Tesla*	1,700	1,500	0.3	0.2	13.3	–	–	–	–	–	1,700	1,500	0.1	0.1	13.3
Jaguar	1,242	1,187	0.2	0.2	4.6	–	–	–	–	–	1,242	1,187	0.1	0.1	4.6
Maserati	957	1,132	0.1	0.2	–15.5	–	–	–	–	–	957	1,132	0.1	0.1	–15.5
Smart	441	1,351	0.1	0.2	–67.4	–	–	–	–	–	441	1,351	0.0	0.1	–67.4
Bentley	208	201	0.0	0.0	3.5	–	–	–	–	–	208	201	0.0	0.0	3.5
Ferrari*	177	176	0.0	0.0	0.6	–	–	–	–	–	177	176	0.0	0.0	0.6
Rolls-Royce*	95	93	0.0	0.0	2.2	–	–	–	–	–	95	93	0.0	0.0	2.2
Aston Martin*	85	83	0.0	0.0	2.4	–	–	–	–	–	85	83	0.0	0.0	2.4
Lamborghini*	63	61	0.0	0.0	3.3	–	–	–	–	–	63	61	0.0	0.0	3.3
Alfa Romeo	48	–	0.0	–	–	–	–	–	–	–	48	–	0.0	–	–
Lotus*	13	12	0.0	0.0	8.3	–	–	–	–	–	13	12	0.0	0.0	8.3
TOTAL	**670,933**	**689,370**	**100.0**	**100.0**	**–2.7%**	**840,008**	**746,132**	**100.0**	**100.0**	**12.6%**	**1,510,941**	**1,435,502**	**100.0**	**100.0**	**5.3%**
Made in North America	**502,609**	**507,422**	**74.9**	**73.6**	**–0.9**	**695,306**	**632,300**	**82.8**	**84.7**	**10.0**	**1,197,915**	**1,139,722**	**79.3**	**79.4**	**5.1**
Made in Japan	**74,266**	**78,090**	**11.1**	**11.3**	**–4.9**	**82,651**	**71,027**	**9.8**	**9.5**	**16.4**	**156,917**	**149,117**	**10.4**	**10.4**	**5.2**
Made in Europe	**54,399**	**63,368**	**8.1**	**9.2**	**–14.2**	**42,353**	**29,790**	**5.0**	**4.0**	**42.2**	**96,752**	**93,158**	**6.4**	**6.5**	**3.9**
Made in Korea	**37,645**	**38,299**	**5.6**	**5.6**	**–1.7**	**19,698**	**13,015**	**2.3**	**1.7**	**51.3**	**57,343**	**51,314**	**3.8**	**3.6**	**11.7**
Made in Thailand	**1,553**	**1,593**	**0.2**	**0.2**	**–2.5**	–	–	–	–	–	**1,553**	**1,593**	**0.1**	**0.1**	**–2.5**
Made in Australia	**461**	**598**	**0.1**	**0.1**	**–22.9**	–	–	–	–	–	**461**	**598**	**0.0**	**0.0**	**–22.9**
Total N.A.[1]	**181,750**	**188,954**	**27.1**	**27.4**	**–3.8**	**489,220**	**444,033**	**58.2**	**59.5**	**10.2**	**670,970**	**632,987**	**44.4**	**44.1**	**6.0**
Total Detroit 3[2]	*180,050*	*187,454*	*26.8*	*27.2*	*–4.0*	*489,220*	*444,033*	*58.2*	*59.5*	*10.2*	*669,270*	*631,487*	*44.3*	*44.0*	*6.0*
Total Japan[3]	**311,047**	**316,734**	**46.4**	**45.9**	**–1.8**	**268,872**	**237,726**	**32.0**	**31.9**	**13.1**	**579,919**	**554,460**	**38.4**	**38.6**	**4.6**
Total Europe[4]	**85,088**	**90,720**	**12.7**	**13.2**	**–6.2**	**47,640**	**38,015**	**5.7**	**5.1**	**25.3**	**132,728**	**128,735**	**8.8**	**9.0**	**3.1**
Total Korea[5]	**93,048**	**92,962**	**13.9**	**13.5**	**0.1**	**34,276**	**26,358**	**4.1**	**3.5**	**30.0**	**127,324**	**119,320**	**8.4**	**8.3**	**6.7**
General Motors	77,785	84,987	11.6	12.3	–8.5	194,727	171,173	23.2	22.9	13.8	272,512	256,160	18.0	17.8	6.4
Ford Motor Co.	66,004	68,702	9.8	10.0	–3.9	156,010	142,765	18.6	19.1	9.3	222,014	211,467	14.7	14.7	5.0
Toyota Motor Sales	114,045	121,313	17.0	17.6	–6.0	103,136	94,489	12.3	12.7	9.2	217,181	215,802	14.4	15.0	0.6
Fiat Chrysler Automobiles†	39,402	37,444	5.9	5.4	5.2	139,759	131,531	16.6	17.6	6.3	179,161	168,975	11.9	11.8	6.0
American Honda Motor Co.	76,635	74,385	11.4	10.8	3.0	69,689	61,523	8.3	8.2	13.3	146,324	135,908	9.7	9.5	7.7
Nissan N.A.	75,894	76,803	11.3	11.1	–1.2	54,978	44,649	6.5	6.0	23.1	130,872	121,452	8.7	8.5	7.8
Hyundai-Kia Automotive	93,048	92,962	13.9	13.5	0.1	34,276	26,358	4.1	3.5	30.0	127,324	119,320	8.4	8.3	6.7
VW Group of America	39,848	39,529	5.9	5.7	0.8	14,107	10,202	1.7	1.4	38.3	53,955	49,731	3.6	3.5	8.5
BMW Group	20,713	23,943	3.1	3.5	–13.5	11,543	8,370	1.4	1.1	37.9	32,256	32,313	2.1	2.3	–0.2
Daimler AG	17,749	19,505	2.6	2.8	–9.0	12,381	11,252	1.5	1.5	10.0	30,130	30,757	2.0	2.1	–2.0
Jaguar Land Rover N.A.	1,242	1,187	0.2	0.2	4.6	5,011	4,643	0.6	0.6	7.9	6,253	5,830	0.4	0.4	7.3

U.S. car and light-truck sales by make – 7 months 2015 (Ranked by total sales)

Make	Car 2015	Car 2014	2015 share	2014 share	Percent change	Truck 2015	Truck 2014	2015 share	2014 share	Percent change	Total 2015	Total 2014	2015 share	2014 share	Percent change
Ford division	473,189	479,706	10.2	10.2	–1.4%	980,496	944,733	18.1	19.3	3.8%	1,453,685	1,424,439	14.5	14.8	2.1%
Chevrolet	473,716	546,339	10.3	11.6	–13.3	768,693	656,724	14.2	13.4	17.1	1,242,409	1,203,063	12.4	12.5	3.3
Toyota Division	646,220	661,526	14.0	14.1	–2.3	584,941	518,098	10.8	10.6	12.9	1,231,161	1,179,624	12.3	12.3	4.4
Honda Division	427,934	456,637	9.3	9.7	–6.3	369,389	328,276	6.8	6.7	12.5	797,323	784,913	7.9	8.2	1.6
Nissan Division	460,195	479,255	10.0	10.2	–4.0	332,447	278,795	6.1	5.7	19.2	792,642	758,050	7.9	7.9	4.6
Jeep	–	–	–	–	–	474,905	392,390	8.8	8.0	21.0	474,905	392,390	4.7	4.1	21.0
Hyundai division	349,228	342,681	7.6	7.3	1.9	92,935	88,764	1.7	1.8	4.7	442,163	431,445	4.4	4.5	2.5
Kia	247,566	260,333	5.4	5.5	–4.9	119,697	89,389	2.2	1.8	33.9	367,263	349,722	3.7	3.6	5.0
Subaru	175,771	153,782	3.8	3.3	14.3	147,164	129,940	2.7	2.7	13.3	322,935	283,722	3.2	3.0	13.8
GMC	–	–	0.0	0.0	–	313,490	280,452	5.8	5.7	11.8	313,490	280,452	3.1	2.9	11.8
Dodge	155,168	176,512	3.4	3.8	–12.1	139,623	173,530	2.6	3.5	–19.5	294,791	350,042	2.9	3.6	–15.8
Ram	–	–	–	–	–	269,103	252,056	5.0	5.1	6.8	269,103	252,056	2.7	2.6	6.8
Mercedes-Benz	118,520	115,982	2.6	2.5	2.2	89,673	76,531	1.7	1.6	17.2	208,193	192,513	2.1	2.0	8.1
Volkswagen division	185,672	189,431	4.0	4.0	–2.0	20,070	20,266	0.4	0.4	–1.0	205,742	209,697	2.1	2.2	–1.9
Chrysler Division	150,566	83,277	3.3	1.8	80.8	45,404	81,246	0.8	1.7	–44.1	195,970	164,523	2.0	1.7	19.1
BMW division	129,810	119,715	2.8	2.5	8.4	65,783	64,076	1.2	1.3	2.7	195,593	183,791	1.9	1.9	6.4
Lexus	95,821	94,640	2.1	2.0	1.2	92,843	71,382	1.7	1.5	30.1	188,664	166,022	1.9	1.7	13.6
Mazda	105,597	106,587	2.3	2.3	–0.9	80,556	79,078	1.5	1.6	1.9	186,153	185,665	1.9	1.9	0.3
Buick	55,066	68,029	1.2	1.4	–19.1	72,039	63,126	1.3	1.3	14.1	127,105	131,155	1.3	1.4	–3.1
Audi	65,486	63,591	1.4	1.4	3.0	45,783	35,374	0.8	0.7	29.4	111,269	98,965	1.1	1.0	12.4
Acura	37,313	27,540	0.8	0.6	35.5	64,689	62,891	1.2	1.3	2.9	102,002	90,431	1.0	0.9	12.8
Cadillac	38,850	49,546	0.8	1.1	–21.6	56,203	47,812	1.0	1.0	17.6	95,053	97,358	0.9	1.0	–2.4
Infiniti	39,958	37,947	0.9	0.8	5.3	34,755	29,932	0.6	0.6	16.1	74,713	67,879	0.7	0.7	10.1
Mitsubishi	27,052	20,122	0.6	0.4	34.4	30,360	25,899	0.6	0.5	17.2	57,412	46,021	0.6	0.5	24.8
Lincoln	22,275	26,970	0.5	0.6	–17.4	34,373	25,415	0.6	0.5	35.2	56,648	52,385	0.6	0.5	8.1
Land Rover	–	–	–	–	–	37,323	30,829	0.7	0.6	21.1	37,323	30,829	0.4	0.3	21.1
Mini	25,970	17,159	0.6	0.4	51.3	9,481	12,804	0.2	0.3	–26.0	35,451	29,963	0.4	0.3	18.3
Volvo	18,188	20,677	0.4	0.4	–12.0	16,797	13,547	0.3	0.3	24.0	34,985	34,224	0.3	0.4	2.2
Porsche	12,613	13,982	0.3	0.3	–9.8	17,255	13,237	0.3	0.3	30.4	29,868	27,219	0.3	0.3	9.7
Scion	28,796	35,763	0.6	0.8	–19.5	–	–	–	–	–	28,796	35,763	0.3	0.4	–19.5
Fiat	17,349	20,550	0.4	0.4	–15.6	7,684	8,229	0.1	0.2	–6.6	25,033	28,779	0.2	0.3	–13.0
Tesla*	11,900	10,500	0.3	0.2	13.3	–	–	–	–	–	11,900	10,500	0.1	0.1	13.3
Jaguar	9,078	9,504	0.2	0.2	–4.5	–	–	–	–	–	9,078	9,504	0.1	0.1	–4.5
Maserati	6,261	6,574	0.1	0.1	–4.8	–	–	–	–	–	6,261	6,574	0.1	0.1	–4.8
Smart	4,065	5,998	0.1	0.1	–32.2	–	–	–	–	–	4,065	5,998	0.0	0.1	–32.2
Bentley	1,457	1,509	0.0	0.0	–3.4	–	–	–	–	–	1,457	1,509	0.0	0.0	–3.4
Ferrari*	1,239	1,230	0.0	0.0	0.7	–	–	–	–	–	1,239	1,230	0.0	0.0	0.7
Rolls-Royce*	665	646	0.0	0.0	2.9	–	–	–	–	–	665	646	0.0	0.0	2.9
Aston Martin*	595	581	0.0	0.0	2.4	–	–	–	–	–	595	581	0.0	0.0	2.4
Lamborghini*	441	427	0.0	0.0	3.3	–	–	–	–	–	441	427	0.0	0.0	3.3
Alfa Romeo	368	–	0.0	–	–	–	–	–	–	–	368	–	0.0	–	–
Lotus*	87	80	0.0	0.0	8.8	–	–	–	–	–	87	80	0.0	0.0	8.8
TOTAL	**4,620,045**	**4,705,328**	**100.0**	**100.0**	**–1.8%**	**5,413,954**	**4,894,821**	**100.0**	**100.0**	**10.6%**	**10,033,999**	**9,600,149**	**100.0**	**100.0**	**4.5%**
Made in North America	**3,476,777**	**3,479,135**	**75.3**	**73.9**	**–0.1**	**4,543,698**	**4,179,256**	**83.9**	**85.4**	**8.7**	**8,020,475**	**7,658,391**	**79.9**	**79.8**	**4.7**
Made in Japan	**492,026**	**548,136**	**10.6**	**11.6**	**–10.2**	**505,458**	**437,392**	**9.3**	**8.9**	**15.6**	**997,484**	**985,528**	**9.9**	**10.3**	**1.2**
Made in Europe	**377,075**	**395,212**	**8.2**	**8.4**	**–4.6**	**247,354**	**193,632**	**4.6**	**4.0**	**27.7**	**624,429**	**588,844**	**6.2**	**6.1**	**6.0**
Made in Korea	**256,315**	**268,993**	**5.5**	**5.7**	**–4.7**	**117,444**	**84,541**	**2.2**	**1.7**	**38.9**	**373,759**	**353,534**	**3.7**	**3.7**	**5.7**
Made in Thailand	**15,054**	**9,860**	**0.3**	**0.2**	**52.7**	–	–	–	–	–	**15,054**	**9,860**	**0.2**	**0.1**	**52.7**
Made in Australia	**2,798**	**3,992**	**0.1**	**0.1**	**–29.9**	–	–	–	–	–	**2,798**	**3,992**	**0.0**	**0.0**	**–29.9**
Total N.A.[1]	**1,380,730**	**1,440,879**	**29.9**	**30.6**	**–4.2**	**3,154,329**	**2,917,484**	**58.3**	**59.6**	**8.1**	**4,535,059**	**4,358,363**	**45.2**	**45.4**	**4.1**
Total Detroit 3[2]	*1,368,830*	*1,430,379*	*29.6*	*30.4*	*–4.3*	*3,154,329*	*2,917,484*	*58.3*	*59.6*	*8.1*	*4,523,159*	*4,347,863*	*45.1*	*45.3*	*4.0*
Total Japan[3]	**2,044,657**	**2,073,799**	**44.3**	**44.1**	**–1.4**	**1,737,144**	**1,524,291**	**32.1**	**31.1**	**14.0**	**3,781,801**	**3,598,090**	**37.7**	**37.5**	**5.1**
Total Europe[4]	**597,864**	**587,636**	**12.9**	**12.5**	**1.7**	**309,849**	**274,893**	**5.7**	**5.6**	**12.7**	**907,713**	**862,529**	**9.0**	**9.0**	**5.2**
Total Korea[5]	**596,794**	**603,014**	**12.9**	**12.8**	**–1.0**	**212,632**	**178,153**	**3.9**	**3.6**	**19.4**	**809,426**	**781,167**	**8.1**	**8.1**	**3.6**
General Motors	567,632	663,914	12.3	14.1	–14.5	1,210,425	1,048,114	22.4	21.4	15.5	1,778,057	1,712,028	17.7	17.8	3.9
Ford Motor Co.	495,464	506,676	10.7	10.8	–2.2	1,014,869	970,148	18.7	19.8	4.6	1,510,333	1,476,824	15.1	15.4	2.3
Toyota Motor Sales	770,837	791,929	16.7	16.8	–2.7	677,784	589,480	12.5	12.0	15.0	1,448,621	1,381,409	14.4	14.4	4.9
Fiat Chrysler Automobiles†	330,951	288,143	7.2	6.1	14.9	936,719	907,451	17.3	18.5	3.2	1,267,670	1,195,594	12.6	12.5	6.0
American Honda Motor Co.	465,247	484,177	10.1	10.3	–3.9	434,078	391,167	8.0	8.0	11.0	899,325	875,344	9.0	9.1	2.7
Nissan N.A.	500,153	517,202	10.8	11.0	–3.3	367,202	308,727	6.8	6.3	18.9	867,355	825,929	8.6	8.6	5.0
Hyundai-Kia Automotive	596,794	603,014	12.9	12.8	–1.0	212,632	178,153	3.9	3.6	19.4	809,426	781,167	8.1	8.1	3.6
VW Group of America	265,669	268,940	5.8	5.7	–1.2	83,108	68,877	1.5	1.4	20.7	348,777	337,817	3.5	3.5	3.2
BMW Group	156,445	137,520	3.4	2.9	13.8	75,264	76,880	1.4	1.6	–2.1	231,709	214,400	2.3	2.2	8.1
Daimler AG	122,585	121,980	2.7	2.6	0.5	89,673	76,531	1.7	1.6	17.2	212,258	198,511	2.1	2.1	6.9
Jaguar Land Rover N.A.	9,078	9,504	0.2	0.2	–4.5	37,323	30,829	0.7	0.6	21.1	46,401	40,333	0.5	0.4	15.0

*Estimate [1]Includes Detroit 3 domestic brands and Tesla [2]Includes Detroit 3 domestic brands [3]Reflects Japanese brands sold in the U.S. [4]Reflects European brands sold in the U.S. [5]Reflects Korean brands sold in the U.S.

†Fiat S.p.A. completed the acquisition of Chrysler Group LLC on Jan. 21, 2014; the companies were merged under holding group Fiat Chrysler Automobiles on Oct. 12, 2014.

Source: Automotive News Data Center

Toyota still No. 1 where it counts: Profits

Hans Greimel
hgreimel@crain.com

TOKYO — Toyota Motor Corp. may have lost its title as the world's biggest automaker halfway through the year, but thanks to windfall currency gains, it beat its two top rivals by miles where it matters most: profits.

Toyota reported a 9.1 percent increase in operating profit to ¥756 billion ($6.16 billion) in the April-June period, the carmaker's fiscal first quarter.

That was more than one-and-a-half times bigger than the $3.85 billion operating profit reported by rival Volkswagen AG and nearly five times bigger than the $1.3 billion operating profit booked by General Motors in the same three months.

The companies reported results just after VW stole the global sales title from Toyota. VW said last month it sold 5.04 million vehicles in the six months through June, beating the 5.02 million from Toyota. That 20,000-unit lead is sliver thin: Toyota sells more Camry sedans than that every month in the U.S.

GM came in third with 4.86 million vehicles in the first half.

In the most recent quarter, Toyota reported record operating profit and revenue for any first quarter. Its $5.27 billion first-quarter net income, up 10 percent, was a record for any quarter. Revenue rose 9.3 percent to $56.94 billion.

Toyota's mammoth profit came despite stagnating sales. Global retail volume dipped by 11,000 units to 2.502 million in the quarter, undercut by weak demand in Japan and Asia.

But that was offset by a huge windfall from favorable currency rates.

The yen's tumble against the dollar pumped up operating income by $1.43 billion, although that figure was trimmed by $244.5 million by swings in the yen's exchange rate against other currencies. Without the tailwind, Toyota's operating profit would have fallen.

Thanks to the currency effects, Toyota's export-dependent Japan operations delivered a 30 percent surge in regional operating profit and a healthy 14 percent operating-profit margin.

North America, by contrast, managed only a 5.3 percent operating-profit margin, with regional operating profit inching ahead 0.9 percent to $1.23 billion.

Wholesale deliveries in North America, Toyota's biggest market, rose 2.7 percent to 729,000 vehicles in the quarter. Wholesale deliveries fell in every other region.

For the full fiscal year ending March 31, 2016, Toyota lifted its forecast for wholesale deliveries for Japan, North America and Europe. But it nonetheless still predicts those factory sales will fall from the year-earlier level in all markets except Japan and North America.

Toyota also still sees retail sales slipping to 10.15 million in the current fiscal year, from a record 10.168 million a year earlier. 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
BMW GROUP		
Expires Aug. 31.		
2016 models		
BMW 228, 320, 328, 328 Gran Turismo, 328d, 335 Gran Turismo, 340, 428, 428 Gran Coupe, 35, 435 Gran Coupe, 528, 535, 535 Gran Turismo, 535d, 550, 550 Gran Turismo, 640, 640 Gran Coupe, 650, 650 Gran Coupe, 740, 750, ActiveHybrid 5, ALPINA B6 Gran Coupe, M3, M4, M5, M6, M6 Gran Coupe, M235, X1, X3, X4, X5, X5 M, X6, X6 M, Z4		1.9-9.8%
2015 models		
BMW 320		0.9-7.9%
328, 328d		0.9-9.8%
228, 328 Gran Turismo, 335, 335 Gran Turismo, 428, 428 Gran Coupe, 435, 435 Gran Coupe, 528, 535, 535 Gran Turismo, 535d, 550, 550 Gran Turismo, 640, 640 Gran Coupe, 650, 650 Gran Coupe, 740, 750, 760, ActiveHybrid 3, ActiveHybrid 5, ALPINA B7, i3, M3, M4, M5, M6, M6 Gran Coupe, M235, X1, X3, X4, X5, X5 M, X6, X6 M, Z4		1.9-9.8%
i8		2.9-9.9%
Mini Cooper*		0.9-5.1%
FCA US		
Expires Aug. 31. In lieu of rebates, cut-rate financing is available.		
2016 models		
Dodge Journey	$500	
Dart	$500-$1,000	
Fiat 500X	$500	0.9-4.9%
Jeep Cherokee, Compass	$500-$1,250	
Patriot	$1,000	
Ram 1500, 2500, 3500	$500-$1,000	
ProMaster 1500, ProMaster 2500*, ProMaster 3500*	$500	
2015 models		
Chrysler 300C	$1,000-$2,500	0-2.0%
Town & Country	$500-$2,250	0-3.9%
200	$500-$2,250	
300	$500-$1,500	0-2.0%
Dodge Journey	$500-$2,750	0-5.9%
Charger	$500-$2,500	
Grand Caravan	$500-$2,250	0-3.9%
Challenger	$500-$2,000	
Dart	$500-$1,500	0-5.9%
Durango	$500-$750	0-3.9%
Fiat 500L	$1,500-$3,000	0-1.9%
500e	$2,500	
500, 500C	$500-$2,250	0-1.9%
Jeep Patriot	$500-$2,500	0-3.9%
Compass	$500-$2,250	0-3.9%
Cherokee	$500-$1,750	0-3.9%
Renegade	$500-$750	0.9-6.9%
Grand Cherokee	$500	
Ram 2500, 3500	$3,000	0-5.9%
1500	$500-$3,000	0-3.9%
Cargo	$1,500	
ProMaster 1500, ProMaster 2500*, ProMaster 3500	$1,000	
ProMaster City	$500	
FORD MOTOR CO.		
Ford expires Sept. 7. Lincoln expires Sept. 30. In lieu of rebates, cut-rate financing is available.		
2016 models		
Ford F-250, F-350, F-450	$1,000	1.9-9.9%
Fusion, Fusion Energi	$500-$750	0-7.9%
Fusion Hybrid, Escape	$500	0-7.9%
C-Max Hybrid, Fiesta, Focus, Focus ST, Transit 150, Transit 250, Transit 350	$500	0.9-8.9%
Mustang, Explorer, Expedition, Expedition EL, Transit Connect	$500	1.9-9.9%
Focus Electric		0-7.9%
C-Max Energi		0.9-8.9%
Lincoln MKC, MKZ (incl. Hybrid)		0-7.9%
MKX		0.9-8.9%
2015 models		
Ford Taurus	$3,000	0-5.9%
F-250, F-350, F-450	$1,000-$2,500	0.9-8.9%
Fusion (incl. Hybrid)	$250-$2,250	0-4.0%
Escape	$250-$2,000	0-4.0%
C-Max Hybrid, Expedition, Expedition EL	$1,500	0-5.9%
Transit Connect	$1,500	0-8.9%
Transit 150, Transit 250, Transit 350	$1,000-$1,500	0.9-8.9%
F-150	$300-$1,500	0.9-8.9%
Focus, Focus ST	$250-$1,500	0-4.0%
Explorer, Fiesta	$250-$1,500	0-5.9%
Edge, Fusion Energi	$1,000	0-8.9%
Flex	$500	0.9-8.9%
Mustang	$500	
C-Max Energi, Focus Electric		0-5.9%
Lincoln MKS		0-7.9%
MKX, MKZ (incl. Hybrid), Navigator, Navigator L		0-5.9%
MKC, MKT		0-8.9%
2014 models		
Ford Transit Connect	$1,250-$3,000	0-4.0%
Focus	$250-$3,000	0-4.0%
F-150	$250-$1,750	
Focus ST	$250-$1,500	0-4.0%
Lincoln MKS, MKZ		0-4.0%
MKT, MKX		0-5.9%
GENERAL MOTORS		
Expires Aug. 31. In lieu of rebates, cut-rate financing is available.		
2015 models		
Buick Enclave, Regal	$500-$2,250	0-6.9%
LaCrosse	$750-$1,000	
Encore	$250-$1,000	0-6.9%
Verano	$1,000	0-6.9%
Cadillac XTS	$4,000	0-3.9%
SRX	$3,000	0-3.9%
ATS, CTS, CTS-V	$1,000-$2,000	0-3.9%
Escalade, Escalade ESV		0-3.9%
Chevrolet Spark EV	$1,000-$3,500	2.9-6.9%
Silverado 2500HD, Silverado 3500HD	$2,000	2.9-6.9%
City Express	$1,500	0-5.9%
Impala, Volt	$1,000-$1,500	0-7.9%
Camaro, Traverse	$750-$1,500	0-3.9%
Silverado 1500	$750-$1,500	2.9-6.9%
Malibu	$500-$1,500	0-3.9%
Cruze, Equinox	$500-$1,000	
Express 2500, Express 3500	$1,000	2.9-6.9%
Sonic, Spark, Trax	$500-$750	2.9-6.9%
Suburban 1500, Tahoe		2.9-6.9%
Corvette, SS		3.9-7.9%
GMC Acadia	$500-$2,250	0-6.9%
Sierra 1500	$500-$2,000	0-6.9%
Sierra 2500HD, Sierra 3500HD	$2,000	3.9-6.9%
Savana 2500, Savana 3500	$1,000	3.9-6.9%
Terrain	$1,000	
Yukon, Yukon XL 1500		3.9-6.9%
2014 models		
Chevrolet Spark EV	$3,000-$5,500	2.9-6.9%
Camaro, Cruze	$500-$3,500	0-6.9%
Silverado 1500	$2,500	0-4.9%
Impala	$1,000-$2,500	0-5.9%
Express 1500, Express 2500, Express 3500	$2,000	2.9-6.9%
Sonic, Volt	$500-$1,500	0-6.9%
Spark	$500	3.9-6.9%
SS		1.9-5.9%
AMERICAN HONDA MOTOR CO.		
Expires Sept. 7.		
2015 models		
Honda Odyssey, Pilot, Civic (incl. Hybrid)		0.9-4.9%
Accord (incl. Hybrid)		0.9-5.9%
JAGUAR		
Expires Aug. 31.		
2016 models		
Land Rover Discovery Sport, LR4		1.9 -6.4%
2015 models		
Jaguar XF, XJ		1.9-7.2%
Land Rover Range Rover Evoque		1.9-4.4%
Discovery Sport, LR4		1.9-6.4%
MAZDA		
Expires Aug. 31. In lieu of rebates, cut-rate financing is available.		
2016 models		
Mazda6		0-7.4%
2015 models		
CX-9	$4,000	0-7.4%
Mazda5	$2,000	
Mazda6	$1,000-$1,250	0-6.7%
MERCEDES-BENZ		
Expires Aug. 31.		
2016 models		
Mercedes-Benz AMG C63, AMG E63, AMG GLE63, AMG GLE63 S Coupe, C300, E250 BlueTEC, E350, E400, E550, GLE300d, GLE350, GLE400, GLE450 AMG Coupe		1.9-4.0%
2015 models		
Mercedes-Benz C63 AMG, C250, C300, C350, C400, E63 AMG, E250 BlueTEC, E350, E400, E550, GLK250 BlueTEC, GLK350, ML63 AMG, ML250 BlueTEC, ML350, ML400		1.9-4.0%
CLA45 AMG, CLA250, GLA45 AMG, GLA250		1.9-5.0%
Smart ForTwo		0.7-1.9%
Sprinter 2500, 3500		1.9-3.9%
2014 models		
Sprinter 2500, 3500		0.9-2.7%
MITSUBISHI		
Expires Aug. 31. In lieu of rebates, cut-rate financing is available.		
2016 models		
Outlander	$2,000	0.5-6.5%
Lancer, Outlander Sport	$1,500	0.5-6.5%
NISSAN NORTH AMERICA		
Expires Aug. 31. In lieu of rebates, cut-rate financing is available.		
2015 models		
Infiniti Q70L, Q70		0.9-3.9%
Q50, QX60		1.9-3.9%
Nissan Titan	$1,350-$2,500	
Pathfinder	$1,500-$2,000	
NV2500 HD cargo van, NV3500 HD cargo van	$1,000-$1,500	
Altima	$500-$1,500	0-9.5%
Armada, NV1500 cargo van	$1,000	
Versa Note	$750-$1,000	
Sentra	$500-$1,000	0-9.3%
Juke, Quest, Rogue Select	$500-$1,000	
Rogue	$250-$750	
NV3500 HD passenger van	$500	
Versa	$400-$500	
SUBARU		
Expires Aug. 31.		
2016 models		
Legacy, Forester, Outback		1.9-8.5%
2015 models		
BRZ, Forester, XV Crosstrek Hybrid		0-8.5%
XV Crosstrek, Impreza, Legacy, Outback		1.5-8.5%
TOYOTA MOTOR SALES		
Toyota expires Sept. 7. Lexus expires Sept. 8. In lieu of rebates, cut-rate financing is available.		
2015 models		
Lexus ES 300h, ES 350, LS 460		0.9%
CT 200h, ES 300h, ES 350, GS 350, IS 250, IS 250C, IS 350, IS 350C, LS 460, RC 350, RX 350, RX 450h		0.9-1.9%
Toyota Venza	$2,000-$3,000	
Avalon, Avalon Hybrid	$1,000-$3,000	
Prius v	$1,500-$2,500	
Prius	$1,000-$2,500	
Prius Plug-in	$1,500-$2,000	
Prius c	$500-$2,000	
Camry (incl. Hybrid)	$1,000-$1,500	
Tundra	$500-$1,500	
Sienna, RAV4	$750-$1,000	
Yaris, Corolla	$500-$1,000	
Sequoia, Tacoma	$1,000	
VW GROUP OF AMERICA		
Volkswagen expires Sept. 7. Audi expires Oct. 1. In lieu of rebates, cut-rate financing is available.		
2016 models		
Audi A3, A4, A5, A6, A7, allroad, Q3, S3, S4, S5, S6, S7, S8, SQ5		2.5-9.9%
Volkswagen Touareg		0.9-6.4%
Tiguan		1.4-8.4%
2015 models		
Audi S3, S4, S7, S8, SQ5		1.4-7.4%
A6		1.9-8.9%
A3, A4, A5, A7, allroad, S5		1.9-9.4%
Q3, Q5, Q7, TT, TTS		2.5-9.9%
S6		2.9-9.9%
Volkswagen Golf Sportwagen	$1,000	0.9-6.4%
CC, Tiguan, Touareg (incl. Hybrid)		0-5.5%
Beetle, Jetta, Passat		0-6.4%
Jetta Hybrid		0.9-7.4%
Golf		1.4-7.4%
Eos, Golf GTI		1.9-8.4%

*Applies to select models only

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OBITUARIES

Johanna Quandt

BAD HOMBURG, Germany — Johanna Quandt, the billionaire widow whose husband turned Germany's BMW AG into the largest maker of luxury cars, died Aug. 3 at her home here, according to a statement from the Johanna Quandt Foundation. She was 89. No cause was given.

Quandt

The third wife and onetime secretary of Herbert Quandt had a net worth of $11.5 billion, ranking 98th on the Bloomberg Billionaires Index and eighth within Germany.

She inherited a 16.7 percent stake in BMW when her husband died in 1982. She stepped down from the supervisory board in 1997.

Quandt, born Johanna Bruhn, attended school in Potsdam and Berlin and began an apprenticeship in medical technology, but her training was interrupted by World War II. She found her first job as a banker's secretary in Cologne before joining Herbert Quandt's office in Bad Homburg, a spa town near Frankfurt, in the mid-1950s.

Within a few years, she became Herbert's personal assistant, with increasing influence over his business decisions. They married in 1960 and had two children.

— Bloomberg

Jim Brown

WAITE HILL, Ohio — Jim Brown, who built a dealership group in northeastern Ohio, died July 29. He was 75.

Brown opened his first store, Classic Chevrolet, in Mentor, Ohio, in 1979. Today, Classic Auto Group has stores selling 19 new-vehicle brands. Brown was a former chairman of the Chevrolet National Dealer Council.

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Plant overtime

Week ending Aug. 15

FCA NA	
Brampton, Ontario	car
Toledo (Ohio) North	truck
Toledo (Ohio) Supplier Park	truck
Ford Motor Co.	
Chicago	car/truck
Kentucky Truck (Louisville)	truck
Louisville (Ky.) Assembly	truck
General Motors	
Arlington, Texas	truck
Bowling Green, Ky.	car
Ingersoll, Ontario (CAMI)	truck
Lansing (Mich.) Delta Township	truck
Wentzville, Mo.	truck
Hyundai Montgomery, Ala.	car
Kia West Point, Ga.	car/truck
Mitsubishi Normal, Ill.	truck
Volkswagen Chattanooga	car

Note: Overtime could be daily, Saturday or both.

Plant closings

	Resumes
FCA NA	
Warren (Mich.) Truck*	Aug. 24
Ford Motor Co.	
Cuautitlan, Mexico	Aug. 17
General Motors	
Fairfax Assembly (Kansas City, Kan.)	Aug. 17

*Vacation

Source: Automotive News Data Center

Production news

Output of the Mercedes-Benz R class in Vance, Ala., which began in 2005, ended in mid-July. Production of the crossover, sold only in China, moved to AM General's plant in Mishawaka, Ind., this month.

final assembly

Hyundai reveal: Hyundai's HCD-16 concept car is unwrapped in L.A. Go to autonews.com for coverage Tuesday night.

This isn't just a car. It's a hangout

Looking for a way to entice young people into Chevy stores, a group of Clemson University graduates created a concept vehicle that is one part affordable small car and one part social hangout.

The **General Motors**-sponsored concept was unveiled publicly last week at the CAR Management Briefing Seminars in Traverse City, Mich.

"GM asked us to help them solve a problem," said Rivkah Saldanha, the Clemson concept team leader. "They said that some Gen Y and Gen Z don't necessarily want to own cars anymore. Cars are too expensive, and they infringe on their lifestyle of urban freedom."

Proposed as a 2020 model year car for young urban folk, the grad-school concept is slightly bigger than the Chevrolet Spark. The lightweight interior features seating that can move forward and back and swivel to create a denlike setting. The front cockpit allows for digital color displays across the width of the car, permitting multiple screens to bring in social media, entertainment, navigation and various apps simultaneously.

Color display screens integrated into the exterior of the front doors allow occupants to broadcast messages such as relationship status or a shoutout to a sports team.

The seats also move aside to allow a cramped apartment dweller to easily store a bicycle and a few boxes inside.

Will GM build the car? No decision yet, but GM has just hired Saldanha as an engineer.

The concept car created by Clemson University students for General Motors features swivel seating for a denlike setting.

Is look-alike a good thing for the Evoque?

That oft-discussed Chinese SUV that resembles the Range Rover Evoque so much went on sale in China last week at about a third of the price of its doppelganger.

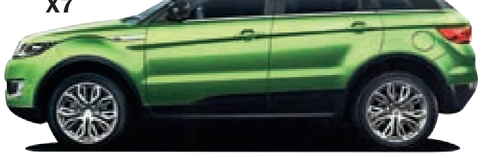
About 5,500 people put down deposits for the **Land Wind** X7, says Bloomberg. The X7 is available at a starting price of 135,000 yuan ($21,700). The Evoque starts at 398,000 yuan ($64,000).

The models feature similar broad fenders, recessed door panels and a sloping roof. Jaguar Land Rover CEO Ralf Speth has complained about China's "copy-and-paste" vehicles but says JLR has no legal recourse.

The U.K. automaker fears the cheap look-alike will make it harder for the Evoque to command a premium price in China's softening market. However, at least one analyst thinks the Land Wind X7 may be a good thing for the Evoque.

"Somehow, it helps Land Rover to promote the Evoque," said John Zeng, Shanghai-based managing director at LMC Automotive. "There are more media reports, and consumers understand that the X7 is a copycat."

Land Wind X7



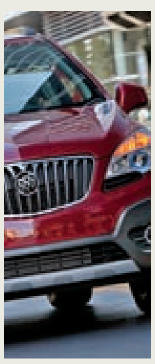
Compact crossovers, such as the Honda CR-V, outsold compact cars.

Crossover sales still cruising ahead

The big sales story of 2015? Well, it hasn't changed much. It's the big changeover to crossovers.

Last month, compact crossovers (think Honda CR-V, Toyota RAV4, Nissan Rogue, Ford Escape) eclipsed compact cars (Honda Civic, Chevrolet Cruze, Toyota Corolla, Hyundai Elantra, etc.).

Even more revealing, the fledgling subcompact crossover class (Subaru XV Crosstrek, Buick Encore, Chevrolet Trax, Jeep Renegade, Honda HR-V and the like) came within shouting distance of subcompact cars (Kia Soul, Nissan Versa, Ford Fiesta, Chevrolet Sonic and such).



> Compact vs. compact

	JULY 2015	CHANGE FROM JULY 2014	7 MOS. 2015	7 MOS. CHANGE
Compact cars	201,621	+3.2%	1,382,741	+3.1%
Compact crossovers	205,258	+5.6%	1,333,290	+8.2%

> Subcompact vs. subcompact

	JULY 2015	CHANGE FROM JULY 2014	7 MOS. 2015	7 MOS. CHANGE
Subcompact cars	52,076	–21%	397,225	–8.9%
Subcompact crossovers	39,462	+134%	197,927	+85%

Source: Automotive News Data Center

> The other luxury race

Mercedes-Benz, BMW and Lexus are the Big 3 premium players, but in July, the next rung down on the luxury ladder (in terms of U.S. sales) outperformed the leaders. All except Cadillac, that is.

	JULY 2015	CHANGE FROM JULY 2014	7 MOS. 2015	7 MOS. CHANGE
Audi	17,654	+21%	111,269	+12%
Acura	14,915	+20%	102,002	+13%
Cadillac	14,154	–7.1%	95,053	–2.4%
Infiniti	10,433	+22%	74,713	+10%

Source: Automotive News Data Center

Is Cadillac's next challenger Infiniti?

Audi passed **Cadillac** in U.S. sales last year, and Acura has moved past the General Motors luxury brand in 2015. Could **Infiniti** be next to challenge Cadillac?

Uh, that would turn a few heads. Cadillac chief Johan de Nysschen had global responsibility for Nissan's luxury arm in his last job.

In July, Infiniti sales were up 22 percent to 10,433 vehicles, while Cadillac slipped 7.1 percent to 14,154.

That's still a healthy lead for Cadillac, but in July of last year, it outsold Infiniti 15,241-8,538. After seven months of 2014, Cadillac was running about 30,000 vehicles ahead of Infiniti. Through July of this year, that lead is about 20,000.

Infiniti Q50

June's EV leader? Guess again

Quick: Which automaker led the world in sales of electric vehicles in June?

Tesla? Nissan? VW?

Nope. China's BYD says it did.

The battery maker-turned-automaker says it was the second month in a row that it sold more EVs globally than anybody. But for the first half of 2015, it still lagged Nissan and Tesla.

Global EV leaders

	JUNE 2015	JAN.-JUNE 2015
BYD	5,037	20,409
Tesla	4,994	21,552
Nissan	4,955	27,084
Renault	3,396	12,256
VW	3,175	15,402
Mitsubishi	2,573	19,393

Source: BYD

July's secret sauce? There's 'Nothing bad happening'

comment

Why did U.S. auto sales flourish in July? "Nothing bad happening," which, as it happens, is my favorite explanation.

July's seasonally adjusted annualized selling rate hit 17.55 million, a bit higher than forecasters had expected. After so many good sales months, why that happened is the real news.

I almost chuckled when AlixPartners' Mark Wakefield said, "There's nothing special about July except that there's really nothing bad happening" when asked why sales beat expectations.

But he's right. That's *exactly* why sales overachieved.

It's no surprise when auto sales rise. They have 66 of the last 70 months. Yeah, yeah, we've all heard that "sales are up."

If this was a family, three-week, see-America road trip, it would be Day 19: pounding down Interstate 80 through mid-Nebraska, retracing our outbound route and talking inanely to keep the driver awake. "Boy, sure making good time today, eh?"

JESSE SNYDER
OPINION PAGE EDITOR

Great vacation memories, but, hey, we've seen this before. Historic Fort Kearney? Check. Platte River still "a mile wide and an inch deep"? Yep.

But to Wakefield's point, our auto trip really did make good time today. No tourist traps, quick pit stops and no construction detours. See? Nothing bad happened.

That's how July auto sales went, too. No geopolitical crisis, no financial panic, no market crash. Nothing to spook would-be new-vehicle buyers.

As Wakefield notes, consumers quickly delay auto purchases after bad news but are slow "to feel the time is right to buy."

So without alarm bells, buyers can focus on positives such as a strong U.S. economy, jobs growth, steady credit, low loan rates and cool new vehicles loaded with new tech.

ALG President Larry Dominique adds that pent-up demand is still "a positive factor until mid-2016." He agrees that no bad news helps auto sales.

"When consumers feel good, they're more willing to look at buying," he said. "Automakers did nothing out of the ordinary to push demand in July, so consumers must feel good."

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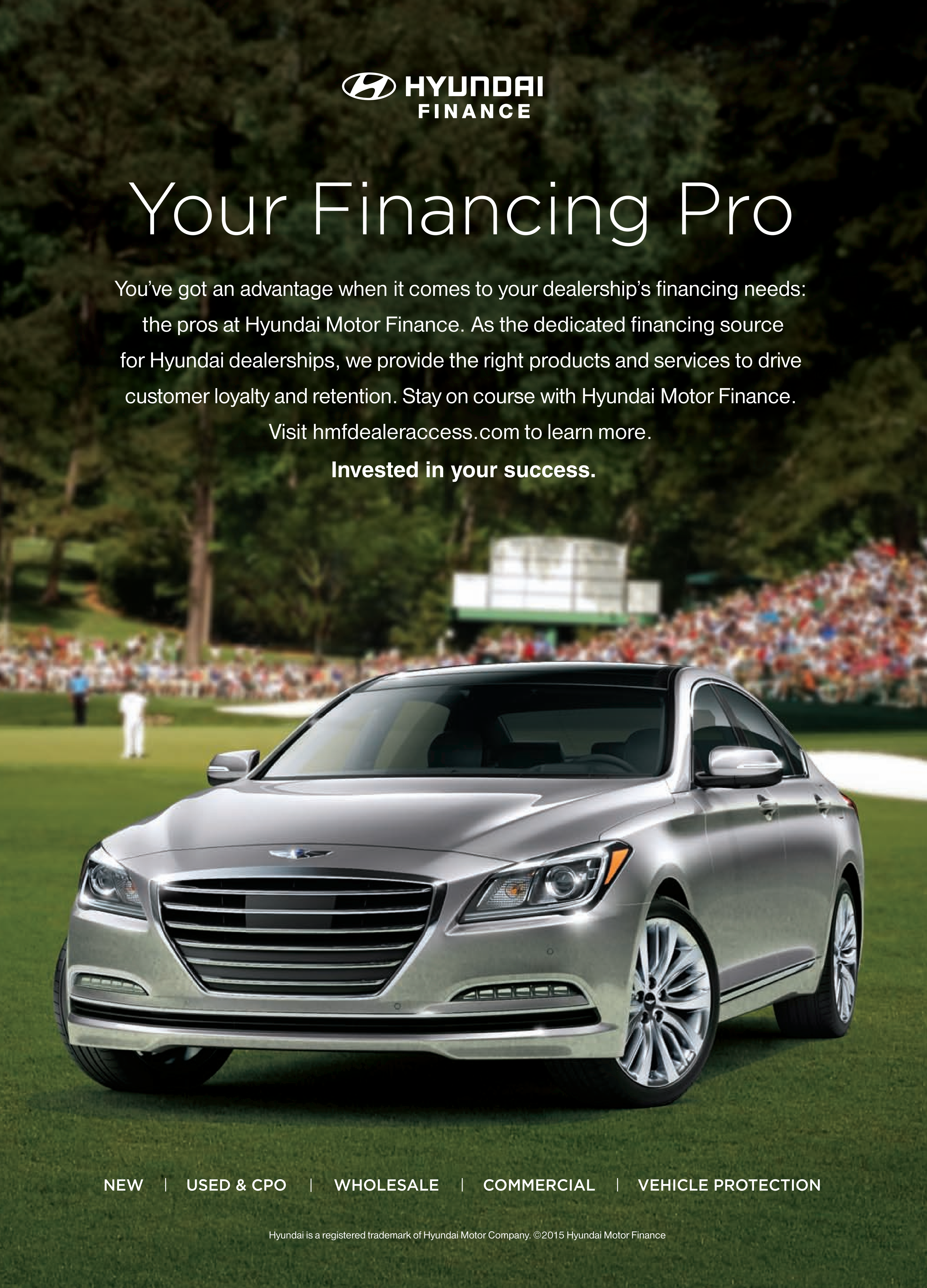
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