The word luxury in the automotive industry often conjures images of sleek

German sedans and sports cars, or on the very high end exotics from Italy

and elsewhere. Bearing six, seven, or even eight figure price tags.

But in recent years, a new phenomenon has emerged.

American carmakers, which have often struggled to compete at the higher

end of the market, have found a new way to lure customers by cranking out

top shelf versions of what many people would say Americans do best: The

pickup truck. At least some auto executives say they haven't seen anything

like it before. As the overall auto market shifts away from sedans and

SUVs, a new type of customer is emerging, seeking plush, tech rich and

high priced premium pickup trucks.

These vehicles boast spacious interiors wrapped in leather and natural

wood, with cutting edge infotainment and driver assistance features.

Trucks are stealing industry awards from veteran luxury brands and a few

customers are even trading in their BMWs and Mercedes-Benzes, for Fords,

Rams, and GMCs.

It is slowly reshaping what a luxury vehicle can be.

Trucks as a category have gotten better.

They're not a tool anymore. They're a lot more than just going being a

tool. Pickup trucks form a relatively small portion of the overall vehicle

market. They're not nearly as popular as sport utility vehicles.

A few of which are still built on truck platforms.

Pickups are also just a slightly higher percentage of total new vehicle

sales than they were in 2007, before auto sales tanked due to fuel spikes

and a suffering economy.

But pickup trucks matter tremendously to Detroit automakers.

For example, about 1.2 million of the 2.3

million new vehicles sold under the Ford brand in 2019 were trucks.

For most of their history, pickup trucks in America have been functional

vehicles. Ford's first pickup truck, introduced in 1917, was a variation

on its Model T sedan, but outfitted with the heavier frame customers

wanted for loading cargo.

The Model TT was born.

From then on, trucks were mostly functional vehicles.

For decades, pickups were commonly just two-seaters, indicating they were

valued more for hauling stuff in the bed than they were for ferrying

passengers in the rear seats.

But over time, extended cabs, quad cabs, and crew cabs, styles of pickup

with four seats and often four doors, began to form an ever larger portion

of sales. Today, a growing portion of consumers are not seeking trucks for

use on a farm or a job site, but as comfortable daily drivers, family

haulers, or as gear for outdoor recreation.

Truck makers have ventured into luxury territory in the past.

Notable examples are the Lincoln Blackwood and the Cadillac Escalade EXT

pickup. But these vehicles were largely before their time.

Lincoln, the luxury brand owned by Ford, found success with its full size

Navigator sport utility vehicle in the late 1990s.

One of the first full size luxury sport utility vehicles available.

By the 2000s, Lincoln was competing fiercely with rival Cadillac, which

had introduced its own sport utility, the Escalade.

Around that time, Lincoln discovered through research that a substantial

portion of its customers also owned pickup trucks and thus the idea for

the Blackwood was born.

Designed to cater to a high end customer, the interior was covered in

leather, the bed had a two door tailgate, and the truck was finished with

white pin striping.

There was even a limited run Neiman-Marcus edition, named for the famous

premium department store.

But the Blackwood was a dud and was discontinued after a year.

Though it was built on a Ford F-Series platform, it lacked the capability

commonly found on true pickup trucks.

Cadillacs Escalade EXT sold better, but that model was soon discontinued

as well. But many say the time for the high end pickup has come and

automakers have become a great deal more shrewd about how they make them.

The shift away from the traditional low lying silhouettes of passenger

sedans and sports cars and toward the taller profiles of utilities and

trucks have spurred automakers to carve out new niches enabled by the

shift. For example, consider the proliferation of high performance SUVs

and off road ready trucks.

Such as Toyota's TRD lineup, the Chevrolet Z71 and ZR2 trims, the Ram

Rebel and Power Wagon, and the Ford Raptor.

A lot of this is enabled by new manufacturing techniques and overall leaps

in engineering, quality, and reliability that have made trucks and SUVs

easier to live with overall and made them more accessible to a wider array

of buyers. They have larger cabins and get better fuel economy often have

several cameras attached, driver assistance systems, and so on.

Luxury and premium can mean different things to different automakers, but

they could loosely be thought of as referring to the top one or two trim

levels in any given trucks lineup.

All three Detroit automakers sell top shelf versions of their trucks

bearing prices far above the typical base price for the same model.

The largest U.S. truck maker overall is General Motors, which has

dedicated an entire brand to what it considers more premium trucks.

GM owns both the Chevrolet and GMC brands.

Both Chevrolet and GMC have higher level trims, but Chevrolet tends to

focus more on the mainstream truck buyer, while GMC aims squarely at the

premium market. In fact, GMC can be thought of as a pioneer in the higher

end pickup market. So we've really established ourselves in a unique spot

in the market and that's really the only premium truck and SUV brand.

And the way, we like to talk about it is, it's premium that's made to be

used, so that's what our customers like.

First introduced in 1999, GMC's Denali lineup has long been its most

premium product and it has been quite popular.

In 2019, GMC's total Denali lineup of trucks and SUVs comprised about 30%

of all GMC U.S.

retail sales and the lineup had an average transaction price of $55,800.

Average transaction price or ATP, is the actual amount a customer pays for

a vehicle. GMC Denali ATPs have shot up in recent years and exceed those

for Mercedes, BMW, and Audi according to the company.

ATPs for the Denali version of GMC Sierra full-sized pickup truck alone

were $56,408.

GMC also recently launched an AT4 trim level, which is a premium trim with

more rugged features and capability intended for customers who want to

drive off road or be a bit rougher with their trucks.

It was supposed to be positioned between mainstream Sierra trucks and the

Denalis. But customers are optioning those trucks up too.

GMC updated its heavy duty line of larger full size pickups in late 2019,

and the automaker said about 80% of its sales for that lineup so far are

AT4 and Denali trims and average transaction prices are reaching above

$70,000 .

Ford F-Series, the best selling lineup of full-size pickups, had record

transaction prices in 2018 on demand for its high series pickups.

Ford's F-150 starts under $29,000, but the company sells four trim levels

with sticker prices above $50,000 stretching to a starting price around

$67,000 for the limited trim.

The truck comes with a two panel moon roof in the quad cab version and the

same high powered V6 engine found in the Ford Raptor.

One of the biggest stories in the full sized truck segment over the last

few years has been the arrival of the 2019 RAM 1500 , which has won

multiple industry awards and stolen market share from competitors both the

RAM 1500 and the larger 2500 won Motor Trend's Truck of the Year award for

2019 and 2020, respectively.

The 1500 also won the North American Truck of the Year award at the

Detroit auto show and a slew of other honors.

But the RAM 1500 is snatching praise even outside its segment.

Industry website Cars.com

recently awarded the 1500 its Luxury Car of the Year award, in spite of

the fact that the RAM is neither a car nor something that would easily

slot into the luxury category.

The RAM beat out cars from more established luxury players such as BMW's

X7 SUV.

The Cars.com award specifically went to the two top trim packages

available for the 1500, the Laramie Longhorn and the Limited.

Which are the top trim levels which are remarkably luxurious inside.

I mean beautiful rich leather.

They smell great.

The other materials are good.

There's interesting use of color.

In addition to conventional luxury features found in the RAM such as soft

leather and wood trim, the truck has a few traits not typically found in

pickup trucks, which helped it compete more with conventional luxury

rides. The truck's capability was also crucial to the team's decision.

RAM pickup sales were up 18% in 2019.

It was a record year for the brand, which has historically trailed General

Motors and leader Ford in volume.

All this comes as the average transaction price of the RAM 1500 has jumped

almost 50% since 2010 to about $50,000.

That is for the entire lineup from the base model that starts at about

$32,000 to the top Limited trim starting around $53,000.

So which one of these premium trucks commands the highest transaction

prices on average?

Out of the half ton pickups, the smallest and most popular class of full

size models, that award goes to the Ford F-150 Limited with an average

transaction price of $68,075, the GMC Denali comes in second at $61,658,

and the RAM Limited in third at $59,924.

All of those are higher than the average transaction prices for BMW,

Mercedes, and Audi, though not quite as high as those for Land Rover at

over $76,000 and Porsche at over $93,000.

Bear in mind, these are average transaction prices.

It is entirely possible for a heavily optioned pickup truck to transact at

an even higher price than that.

Though these percentages of buyers might seem small, they are paying

sometimes 20 to 30 thousand dollars more for their trucks than buyers for

the cheapest trims. That can mean some pretty solid profits.

The profit's definitely there and having them as stand alone trim levels

is great. But even if you look at the lower end, the mid and the lower

trims, they get optioned up.

I mean, nobody's really transacting at just right where that trim level

starts. You see some of them where they overlap.

The creep is certainly to the next trim.

This growth in premium pickups is a bright spot for U.S.

automakers, which have seen their fair share of troubles over the last

decade. In the luxury and premium space, U.S.

automakers have struggled at times to carve out an identity for

themselves, distinct from those of European automakers.

Ford's Lincoln brand is one American mark that has received praise for

newer models. To be sure, only a small portion of buyers.

About 3 to 6 percent, depending on the brand, are trading in luxury

vehicles for trucks.

For the most part, these pickups are attracting a whole new market.

Truck buyers who want their trucks to be a bit more polished and kitted

out than what they are used to.

Fiat Chrysler's RAM has sent a bit of a shot across the bow at its

competitors, but General Motors says its own research shows customers are

more interested in features and capability than interiors in their premium

trucks. It is worth noting that GMC vehicles typically come with at least

some basics found in premium and luxury vehicles, such as leather

interiors. Customers paying that amount typically expect that.

But so far, GM says it is focusing on technology capability and

engineering over smooth or elegant touch points.

These kinds of features include beds made from carbon fiber, a first for

the industry, and the brand's MultiPro tailgate, which can be used for

different functions such as a step into the bed or a bed extender.

GMC trucks also can come with a 15 inch configurable heads up display.

As of early 2020, Ford planned to release a new version of its F-Series

pickup, its first full redesign in several years.

The automaker is tightlipped on specifics, but industry watchers are

expecting Ford to include a bevy of high priced options for buyers looking

for the top of the line.

If sales of trim levels at Ford's Lincoln brand are any indication,

customers appear to be seeking out priciest versions of new products.

When the new Lincoln Navigator debuted in 2017, 84% of buyers were opting

for the Black Label and Reserve trim, the two highest level trims

available with prices that could run above $100,000.

Perhaps GM's biggest announcement of 2020 so far was the expected revival

of the Hummer brand name as a fully electric truck.

The first time around, the Hummer was a stand alone brand name in the GM

stable. The reincarnated Hummer will be under the GMC banner and will be a

luxury product. The Hummer might be a smart move for the brand say those

who follow the industry.

Sales of sport utility vehicles and trucks tanked around 2008, hit by both

a recession and a fuel crisis.

They have since recovered, but the question remains what happens if gas

prices rise to a level uncomfortable for customers or the economy takes a

turn for the worse and consumers begin to feel that a full sized luxury

pickup with a $70,000 price tag is a luxury they simply do not need.

This could spell trouble for the big three, which tend to compete best in

the large truck and SUV segments.

The best selling mid-sized pickup in the United States is not from an

American brand at all, but from Toyota, the Tacoma pickup.

Toyota has found a way to compete well in the truck business while

contending with a pretty patriotic U.S.

customer base and an onerous 25% tax on imports.

Toyota produces its midsize Tacoma and its full sized Tundra in the U.S.

to get around the tax.

Some industry watchers think that an oil shock or economic downturn might

not spark a shift back to traditional passenger cars, but it could send

customers to cheaper, smaller, and more efficient trucks and SUVs.

In the meantime, some industry watchers worry that the market has simply

become saturated with variety.

There are now models of truck and SUV in every conceivable configuration.

Competition is stiff.