

USA TODAY's Import Automaker Roundtable

Will gas prices dent SUV sales?

Automakers say buyers won't change

By James R. Healey
USA TODAY

Gas has to top \$3 a gallon or gas stations have to run dry before most people would consider more fuel-efficient vehicles, according to U.S. executives of foreign-brand automakers.

"Up to \$3, they will change their driving habits before they change their buying habits," says Jed Connelly of Nissan, citing consumer studies.

"They will still want the vehicle of choice, and I think that won't change dramatically as the price of fuel goes up," says Victor Doolan of Volvo. He says the vehicles of choice are car-based sport-utility vehicles, known as crossovers. The XC 90 crossover is the best-selling Volvo.

Unleaded regular averages a record \$2.023 nationwide, motorists organization AAA reports; prices in 31 states average \$2 or more.

The impact of fuel prices is of growing importance to foreign-brand carmakers. They are spending billions of dollars on U.S. truck factories to shift toward profitable, but fuel-thirsty, pickups, SUVs and minivans.

A change of heart by consumers could torpedo those investments, create a glut of unsold trucks and drive up the size of sales incentives. While good for buyers, the situation would slice nearly \$3,000 in profit from every truck sold if foreign brands had to match current Detroit incentives.

In fact, J.D. Power and Associates predicts such a glut this year, even before import brands hit their truck stride, and forecasts "another incentive blitz in the third quarter" to clear lots.

Detroit's General Motors, Ford Motor and Chrysler Group spent an average \$4,062 per truck on incentives last month, according to Autodata, up 21.2% from a year ago.

Asian brands averaged \$1,179 per truck in incentives, up 9.7%. Europeans averaged \$1,306, down 7.1%.

The execs' view is supported by a fresh study of 32,082 new-vehicle buyers by consultant AutoPacific: 61% say they won't change what they drive, regardless of fuel prices.

"We did some focus groups, and they seemed resigned to it. They said, 'You've got to drive; what are you going to do?'" says George Peterson, head of AutoPacific.

"They were all upset about prices, but you ask them, 'Do you drive slower?' 'No.' 'Do you check your tires?' 'No.' 'Do you drive less?' 'No.' "

Peterson says.

But people who are still shopping for a car or truck seem more sensitive to fuel prices, according to a survey by Harris Interactive and Kelley Blue Book. Just 43% said gas prices were no object, either because they already were shopping for a fuel sipper, or because they don't care about gas prices.

The import-brand auto execs say the key is not price, but availability of fuel. The nation hasn't had rationing and shortages since the fuel crises of 1973 and '79. National Guards had to keep the peace then, especially at stations charging unusually high prices.

Whether Americans are willing to switch to economy cars and trucks "may come down to the availability of gas," says Robert Cosmai of Hyundai.

"We can't control OPEC pricing, but if they start making controls or changes in the amount of gas that's provided for us, that could be a bigger problem."

Don Esmond of Toyota agrees: "It's probably availability more than anything."

He foresees no shortages and says consumers' behavior suggests they fear neither shortages nor high prices: "Since 1991, fuel prices have gone up 66%, and SUV (sales) have more than doubled."

Q: As your companies become bigger players in the U.S. market, it appears you're becoming bigger targets of product liability lawsuits. How has that affected your business?

Colliver: We have a major initiative going on called "Safety for Everyone" where we will have side curtain air bags and side air bags standard on all vehicles by the end of '06 and new, more advanced crash protection on the front of all redesigned vehicles before the end of the decade. I guess we can say there are always lawyers out there who will chase another case, but we haven't seen a major increase in our product liability cases. We try to get on any problems we have quickly. We try to fix quality problems first to take care of the consumer, but we haven't increased any of our product liability efforts. Regulations are a lot tougher here. We can test vehicles here and increase the quality.

Connelly: We do a lot of research, and we know safety is important to the consumer. That's really what drives us and why we try to incorporate safety that's practical and necessary into the vehicle. We're not guided by the fact that corporations...

Panel members



Car guys: The participants in USA TODAY's Import Automaker Roundtable, from left, Richard Colliver of Honda, Robert Cosmai of Hyundai, Victor Doolan of Volvo, Don Esmond of Toyota and Jed Connelly of Nissan.

by H. Darr Beiser, USA TODAY

Connelly: We do a lot of research, and we know safety is important to the consumer. That's really what drives us and why we try to incorporate safety that's practical and necessary into the vehicle. We're not guided by the fact that society's litigious today because it's always been litigious, and it will be litigious tomorrow. I think what happens, quite frankly, is you see an occasional big product liability case. I just came from a graduation the other day — you're all journalists, so you probably would have heard this expression before I did at the journalism school — but "if it bleeds, it leads." Bad news makes headlines.

Q: Rollover is the hot topic right now in auto safety. What are you doing to prevent them?

Colliver: We have vehicle stability assist, VSA, and side curtain airbags with rollover sensors that we're putting into all our light trucks by the end of 2006.

Cosmai: I think (the National Highway Traffic Safety Administration) is under a lot of pressure right now. Sen. (John) McCain (R-Ariz.) has been pushing for certain legislation because SUVs are most popular right now. I think most manufacturers are doing pretesting on some of the NHTSA requirements. I think most manufacturers take actions not just because they are trying to avoid product liability, but because it's our moral and ethical responsibility to make it happen. I think all of us are going to side airbags and side head curtains and things like that to try to build the safest vehicle around, especially with so many SUVs on the road.

Esmond: And I think the customers certainly demand it. It just makes good business sense. From Toyota's perspective, we've got global standards that mean the toughest standard in whatever country is the minimum one in all of our products. I think we'll continue to work in that direction. Currently, we have vehicle stability control on all of our SUVs, and I think it's a good investment.

Connelly: Remember, we all drive vehicles and have children who drive vehicles. My children all drive Nissan products. It's important to all of us. It's not something that we do for any reason other than, as everybody said, it's the right thing to do.

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Richard Colliver

Executive vice president, American Honda Motor

Colliver is responsible for U.S. sales by the Honda and Acura automobile divisions and the Acura parts and service field operations. He also oversees Honda and Acura marketing and dealer business management.

Colliver joined Honda in 1993 as senior vice president of the Honda division. He began his automotive career in 1962, working for General Motors, Chrysler and Mazda before joining Honda.

Robert Cosmai

President and CEO, Hyundai Motor America

Cosmai was named president and CEO of Hyundai Motor America last September, assuming responsibility for the strategic direction and management of the company's operations. He joined the company in 1998 and had been vice president of sales.

He has been in the automotive business for 29 years and has held U.S. sales management positions with four other manufacturers — Ford Motor, Nissan, Mazda and the Acura division of Honda.

Victor Doolan

President and CEO, Volvo Cars of North America

As CEO of Volvo Cars of North America, Doolan is responsible for the Swedish manufacturer's largest global market. Volvo Cars is part of Ford Motor's Premier Automotive Group.

Before joining Ford in 1999, Doolan was president of BMW's U.S. operations for seven years. He has held sales, marketing and finance positions in the automotive and banking industries in the USA, Canada, England and South Africa. He served as president of BMW Canada and vice president of BMW South Africa.

Donald Esmond

Senior vice president and general manager, Toyota Motor Sales USA Toyota Division

As senior vice president and general manager, Esmond oversees all aspects of the Toyota Division's U.S. operations, including marketing, retail development, corporate used vehicles and logistics services. He also serves on the company's executive committee.

Esmond joined Toyota in 1982 and has held positions with both the Toyota and Lexus divisions. Before joining Toyota, he was with Ford Motor for 12 years.

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Senior vice president, sales and marketing, Nissan North America

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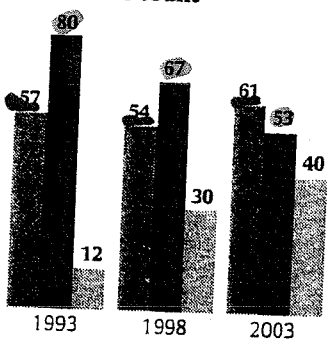
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Import automakers forge ahead

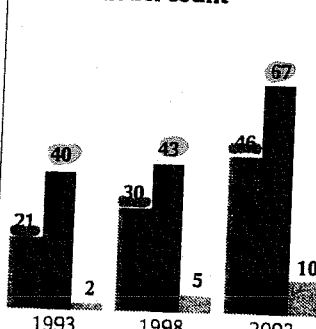
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Asian Domestic European

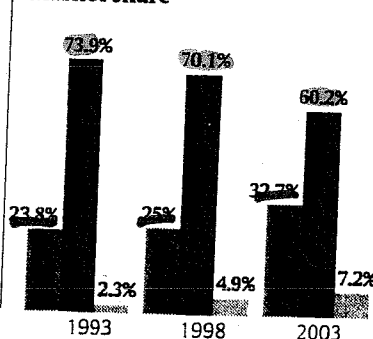
Car model count



Truck model count



Market share



Source: Power Information Network

By Frank Pompa USA TODAY

Q: People love Toyotas and Hondas, but they dread going to the dealership. What are you doing to address the relationship between dealers and customers?

Colliver: We've got major initiatives to train dealer personnel on how to handle customers. We've got a major project where the dealerships are working with our people and consultants to develop processes to improve the way they are handling their customers.

There's a large turnover on the sales force, from the lower half of the dealer force, which turns over quite often. It's trying to keep up with training and getting people educated to handle customers. Young, inexperienced salesmen are sometimes guilty that if they don't know the answer, they just give an answer because they want to look important in the eyes of the customer. We know today that the majority of the customers coming into our showrooms know more about our products than the salesmen. So it's a constant education. It's a major concern for us in the business to try to improve it.

high-five each other. But sometimes the delivery may have been that they tossed the keys to the vehicle to the buyer overhanded and not underhanded. We've got a program which allows a dealer to work with his department managers to kind of isolate where they're having customer problems, where there are bottlenecks in the dealership and how to improve them.

We think we're making some pretty good progress. It's not an easy task. With 18 car lines, it's pretty tough for our salespeople to know everything, but that customer can zero right in. He looks it up on the Internet and knows more about that product and how it handles than the salesperson does. The other issue is time. The process just takes too long. Whatever we can do to kind of chip away and make sure that that sales process is handled in a shorter period of time, the better off we are.

Connelly: I think we all are frustrated by it. I think what's not known is all the things we do individually to try to better the process. Everybody touched on it a little bit, but for example, we recently demonstrated to the dealers that the higher the customer satisfaction, sales satisfaction, the more profitable they'll be.



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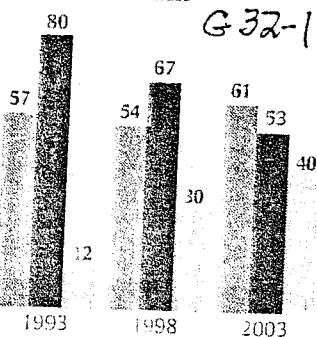
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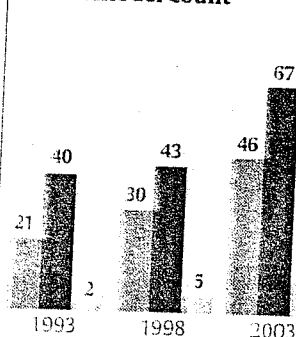
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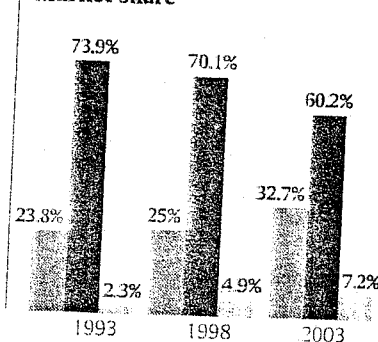
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