

## FAST LANE NEWS Issue 5

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### **2010 AUTOMOTIVE SALES FORECASTS**

After a tough year in 2009 everyone is looking to 2010 and wondering what will business be like. Since there is a relationship between the sales of new vehicles and the sales of performance parts and accessories, we thought it would be helpful to examine the forecasts for new vehicle sales in 2010. Keep in mind that right now it looks like there will be 10.3 million new vehicles sold in the US during 2009.

<b>2010 US Car &amp; Light Truck Sales Forecasts</b>	
<u>Forecaster</u>	<u>Unit Sales</u>
Ford	12.5 million
Chrysler	11.0 million
GM	11.0 to 12.0 million
BMW	11.0 to 11.5 million
Toyota	11.0 million
Edmunds	11.5 million
JD Power & Associates	11.5 million
iSuppli	11.6 million
Fitch Ratings Ltd	11.1 million
CSM Worldwide	11.8 million
Goldman Sachs	11.0 million
Sonic Automotive	10.5 million
Center for Automotive Research	11.0 million
AutoPacific	11.4 million

Some of the forecasts are probably self serving, but there is a useful pattern among them, even a sort of consensus. The gist of it is that if the forecasts are correct we should see an increase of between 6% and 11% in new vehicle sales next year.

Edmunds.com forecasts that in 2010, approximately 11.5 million cars and light trucks will be sold in the United States. The industry is currently on track to sell approximately 10.3 million cars and light trucks this year.

“Most car shoppers will focus on value and fuel economy as the economy continues to recover,” stated Edmunds.com Senior Analyst Jessica Caldwell. “It has already become trendy to make sensible choices, and we expect that this will be a theme for 2010 sales.”

Edmunds.com analysts predict that about 3.2 percent of 2010 sales will be hybrids, about 2.2 percent will be diesel and less than one percent will be electric. In 2009, hybrid market share will be approximately 2.8 percent. Edmunds.com anticipates a continued increase at the rate of about half a percentage per year for the foreseeable future. In 2009, diesel market share will be approximately 2.1 percent of sales. In the past decade diesel’s highest market share, 4.1 percent, was reached in 2006.

“Given historical alternative fuel trends, the ‘early adopters’ will boost electric car market share upon launch, but it will take some time before significant market share builds for the segment,” commented Edmunds.com Senior Statistician Zhenwei Zhou, PhD.

*Source: Edmunds.com*

### **CSM WORLDWIDE UPS ITS PROJECTIONS**

CSM Worldwide raised its forecast to 11.8 million vehicles from 11.2 million vehicles. Sales at that rate would represent the first year-over-year increase in U.S. vehicle sales since 2005, when automakers sold 16.9 million vehicles. CSM said it expects unemployment to peak in the first quarter of next year, then slowly improve throughout the year. Consumer confidence will grow as household finances and auto lending show improvement by the third quarter, the Northville-based company said.

By the fourth quarter, CSM forecasts the annualized vehicle selling rate will be 13.6 million vehicles. That rate shows what sales would be if they continued at the same pace for a full year.

CSM's U.S. sales forecast for 2009 remains unchanged at 10.1 million units, down 23 percent from 2008.

### **NISSAN RUMORED TO REVIVE 240SX?**

In the late 70's and early 80's Japanese manufacturers began to sell affordable sports sedans and coupes in North America. The initial models, like the Toyota Supra and Mazda RX-7, were instant successes and have not only become popular tuning cars, but also collectors items. Nissan has also had variations of their Z - from the early 240Z to the modern 370Z - to compete with these sports cars, but their popular 240SX has been a steady leader with consumers. Now, Nissan has been rumored to be working on a replacement for the sports sedan. Most likely motivated by the proven success of the Hyundai Genesis Coupe and the anticipation of the Toyota and Subaru collaborated FT-86 concept, Nissan's entry-level sports sedan would be a welcomed addition. These models are extremely important as they could be the gateway vehicles that potentially lead to a second swell of sport compact enthusiasts entering the market and a re-engagement of older hobbyists.

### **INDIANA UNIVERSITY ECONOMIC FORECAST**

Indiana University economists presenting their annual forecast on November 5 are confident that 2010 is going to be better than this year. Unfortunately, 2009 was "really, really awful."

"Better is not necessarily good," said Bill Witte, associate professor emeritus of economics at IU and a member of the Kelley School of Business' annual Business Outlook Panel. "2010 is going to be acceptable, except for the fact that we're starting from extremely low levels. Things will be getting better, but they still won't be really good."

Witte, who also co-directs the Center for Econometric Model Research at IU, pointed to two factors -- cautious consumers who took dramatic hits to the values of their homes and other investments and small businesses still contending with tight credit -- as the primary sources of an economic headwind in 2010.

"Households are probably going to continue being cautious with their spending. They'll certainly take advantage of bargains when they see them," he said, citing as an example the Cash for Clunkers program, which led to a surge in auto sales followed by a return to a lower level of purchases.

A detailed report on the outlook for 2010 will be published in the winter issue of the Indiana Business Review, available in December on the Web at [www.ibrc.indiana.edu/ibr](http://www.ibrc.indiana.edu/ibr).

## CHINESE MARKET NOW LARGER THAN US

For the first time in history the United States is no longer the leading consumer of automobiles. China has become the world's largest market for cars and trucks by overtaking Japan and the United States in one large jump during 2009. Analysts had predicted the shift was inevitable, but not nearly this soon. Abnormal factors have led to this dramatic power swing including a struggling industry in the U.S. with sales their lowest in 26 years and a burgeoning one in China – one fueled by government incentives - which propelled Chinese buyers to purchase 12.7million vehicles this year; up 44% from 2008.

Now that the Chinese lead the rest of the world in consuming vehicles, their impact could begin to be felt through product design changes, environmental damage and fuel prices. Despite the Chinese governments attempts to propel the demand for fuel efficient vehicles it's 1.3 billion citizens have a growing appetite for mobility and vehicle manufacturers might bite into the pressure to create Chinese-centric designs. Take Buick, for example, where the newest fleet of the makers cars are designed around Chinese tastes because the brand is much more successful there than in the United States. These concepts are not necessarily negatives, but ones that manufacturers in the specialty equipment industry may need to understand. Conversely, as Chinese consumers become accustomed to purchasing higher-value vehicles their tastes might change to mirror those in the United States, Europe or Japan.

## DRAG RACING RECORDS

In drag racing the most visible categories are: top fuel, funny car, pro stock, pro stock bike, top alcohol dragster and top alcohol funny car. According to the

<b>Top Elapsed Time</b>			
<u>Class</u>	<u>Time</u>	<u>Driver</u>	<u>Date</u>
Top Fuel	3.771	Tony Schumacher	12-Oct-08
Funny Car	4.023	Ron Capps	2-Feb-09
Pro Stock	6.509	Mike Edwards	11-Oct-09
Pro Stock Bike	6.851	Hector Arana	5-Oct-09
Top Alcohol Dragster	5.103	Bill Reichert	1-Apr-07
Top Alcohol Funny Car	5.454	Frank Manzo	15-Oct-06

  

<b>Top Speed</b>			
<u>Class</u>	<u>Speed</u>	<u>Driver</u>	<u>Date</u>
Top Fuel	321.58	Larry Dixon	15-Nov-09
Funny Car	312.13	Ashley Force	19-Apr-09
Pro Stock	212.36	Greg Anderson	11-Oct-09
Pro Stock Bike	197.45	Andrew Hines	19-Mar-05
Top Alcohol Dragster	284.75	Bill Reichert	1-Apr-07
Top Alcohol Funny Car	265.74	Frank Manzo	18-Mar-07

Source: NHRA

NHRA here are the current records for elapsed time and speed in the quarter mile.

### **EDMUNDS: TOP 50 RESEARCHED VEHICLES**

Edmunds.com has listed the Top 50 most popular vehicles for 2009 based on online searched through its website. While not an explicit parallel to actual vehicles sales the list does help illustrate the changes in vehicle tastes of the current market. In general, the absence of large SUV's and trucks is of no surprise and is offset by the increase in crossovers and CUVs, while the Chevrolet Camaro tops the Ford Mustang by a substantial degree. Here is the full list:

<b>Edmunds Top 50 Popular Vehicles</b>	
1. Chevrolet Equinox	26. Chevrolet Traverse
2. Honda Accord	27. Audi A4
3. Honda CR-V	28. Mercedes-Benz E-Class
4. Honda Civic	29. Nissan Rogue
5. BMW 3 Series	30. Toyota Tacoma
6. Subaru Outback	31. Infiniti G37
7. Nissan Altima	32. BMW X5
8. Toyota Camry	33. Toyota Venza
9. Toyota RAV4	34. Honda Odyssey
10. Acura MDX	35. Subaru Impreza
11. Acura TL	36. Ford Escape
12. Chevrolet Camaro	37. Chevrolet Malibu
13. Honda Accord Crosstour	38. Buick Lacrosse
14. Mazda MAZDA3	39. Ford Taurus
15. Volkswagen Jetta	40. Ford Mustang
16. Ford Fusion	41. Mazda MAZDA6
17. Ford F-150	42. BMW 5 Series
18. Toyota Highlander	43. Toyota Sienna
19. GMC Terrain	44. Hyundai Sonata
20. Toyota 4Runner	45. Nissan Murano
21. Toyota Corolla	46. Cadillac SRX
22. Subaru Forester	47. Mercedes-Benz C-Class
23. Subaru Legacy	48. Volkswagen Golf
24. Honda Pilot	49. Hyundai Santa Fe
25. Toyota Prius	50. Lexus RX 350

*Source: Edmunds.com*

## **ECONOMIC RECOVERY CONTINUES IN 2010**

Economic growth in the United States will resume in 2010, say the nation's purchasing and supply management executives in their December 2009 Semiannual Economic Forecast. Expectations for 2010 are for the positive conditions experienced in the second half of 2009 to continue in manufacturing, while the non-manufacturing sector foresees marginal growth.

The manufacturing sector overall is positive about prospects in 2010 with revenues expected to increase in 13 of 18 industries, while the non-manufacturing sector appears slightly less positive about the year ahead with 8 of 18 industries expecting higher revenues. Business investment, a major driver in the U.S. economy, will decline as both sectors expect a combined average of a 5.4 percent decline in capital spending.

These projections are part of the forecast issued by the Business Survey Committee of the Institute for Supply Management™ (ISM). The full text version of each report is posted on ISM's Home Page at [www.ism.ws](http://www.ism.ws) on the first and third business day of every month after 10:10 a.m. (ET).

## **MANUFACTURING SUMMARY**

Expectations for 2010 are positive as 60 percent of survey respondents expect revenues to be greater in 2010 than in 2009. The panel of purchasing and supply executives expects a 5.7 percent net increase in overall revenues for 2010, compared to a 10.7 percent decrease reported for 2009. The 13 manufacturing industries expecting improvement over 2009 — listed in order — are:

*Transportation Equipment*

*Nonmetallic Mineral Products*

*Printing & Related Support Activities*

*Computer & Electronic Products*

*Paper Products*

*Electrical Equipment, Appliances & Components*

*Apparel, Leather & Allied Products*

*Food, Beverage & Tobacco Products*

*Chemical Products*

*Machinery*

*Miscellaneous Manufacturing*

*Textile Mills*

*Fabricated Metal Products*

In the manufacturing sector, respondents report operating at 70.1 percent of their normal capacity, up from 67 percent reported in April 2009. Purchasing and supply executives predict that capital expenditures will decrease by 4 percent in 2010, compared to a 7.8 percent decrease reported for 2009. Survey respondents also forecast that they will reduce inventories in an effort to improve

their purchased inventory-to-sales ratio in 2010. Manufacturers have an expectation that employment in the sector will increase by 1.5 percent, while labor and benefits costs are expected to increase an average of 1.4 percent in 2010. Manufacturing purchasers are predicting strength in exports and imports in 2010. They also expect the U.S. dollar to weaken on average against the currencies of major trading partners.

The panel also predicts the prices they pay will increase 0.2 percent during the first four months of 2010, and will increase an additional 2.4 percent during the balance of 2010, with an overall increase of 2.6 percent for 2010. Respondents' major concerns are: weak economy; credit crisis; taxes; interest rates; and high energy costs. Survey respondents expect to realize supply chain improvements through supplier consolidation; new or improved enterprise technology and system utilization; improved inventory/asset management; lean manufacturing; and cost reduction.

### **2009 COLLECTIBLE VEHICLE OF THE FUTURE**

From America's new cars and trucks launched in 2009, the Ford Flex will become the most desired by future car collectors. That is the prediction of the Friends of the National Automotive History Collection (NAHC). Members of the organization, which supports the world-famous automotive collection at the Detroit Public Library, vote annually to predict the "Collectible Vehicle of the Future" from the year's new American-built cars and trucks. The Ford Flex was selected from eight all-new vehicles launched in 2009.

"We are delighted that the Ford Flex has been recognized by the NAHC as having a design that will become a collectible of the future," said Kate Pearce, Flex marketing manager at Ford. Charles K. Hyde, chairman of the NAHC Board of Trustees, said, "This selection is unique among all the 'Vehicle of the Year' awards, because it is selected by car buffs who know what future collectors will value. We asked our members to predict which of this year's new vehicles will turn heads in the Woodward Cruise of 2034."

#### *Previous winners are:*

*2008 Dodge Challenger*

*2007 Dodge Viper SRT10*

*2006 Pontiac Solstice*

*2005 Ford Mustang*

*2004 Chrysler 300*

*2003 Dodge Viper*

*2002 Ford Thunderbird*

*1996 Chrysler Sebring Convertible*

*1995 Buick Riviera and Oldsmobile Aurora*

*(None selected from 1997 to 2001)*

**Were they right? Tell us what you think. Use the following web page to submit your opinion.**

<http://www.zoomerang.com/Survey/?p=WEB22A26RZ5HHS>

### **STEAM CAR LAND SPEED RECORD ATTEMPT**

Cyclone Power Technologies Inc. (Pink Sheets: CYPW) has been selected by the U.S. Land Steam Record Team to provide the high performance racing engine for its streamliner vehicle, which will attempt to break the world land speed record for steam vehicles in Bonneville, UT, as early as next August. The U.S. Land Steam Record (USLSR) vehicle will be designed, constructed and driven by steam car veteran and team leader Chuk Williams. Cyclone will provide a modified Mark V external combustion automotive engine. At 180HP with 860 ft/lbs of starting torque, the Cyclone engine will attempt to propel the 21', 1600lbs USLSR vehicle at speeds over 200mph on the seven-mile track at the famous Bonneville salt flats.

"This is a great test of the power and performance of our all-fuel capable, earth friendly Mark V automotive engine," stated Cyclone CEO and engine inventor, Harry Schoell. "Given our current calculations, we expect to beat the standing land speed record by a comfortable margin with an engine that can ultimately be placed into everyday passenger vehicles."

The current land speed record for steam vehicles, which is still subject to official confirmation by the *Federation Internationale d'Automobile*, is held by Team Inspiration of Great Britain. The British vehicle recorded speeds over 148 mph in August 2009, which broke the previous unofficial record of 145 mph set in 1985 by Bob Barber, and the official FIA record of 127mph set in 1906 by Fred Marriott, an American driving a Stanley Steamer at Daytona Beach.

### **Q&A With Fast Lane Research - Subscriber Inquires and Expert Commentary**

Question: "Interesting stats in newsletter #3 regarding advertising spending. What are your thoughts on why there is such a BIG variance between OE spending on online ads and dealership spending for same category? Is this something that dealerships need to get up to speed on?"

**Jim** - I think the difference between OEM and dealer is one of comfort level and realization that internet marketing really does work. The dealers are accustomed to TV and radio ads being their big guns and haven't gotten comfortable enough with the internet to go there in mass. The efforts they have employed so far have had limited return partly because their follow-through has been inconsistent. In some ways it makes more sense for the OEMs to use online advertising because they are not limited to one specific location, and they are promoting the brand. I think if done right the dealers could do something similar, but it may take a coalition of dealers who are willing to hand off leads to each other.



**Zack** - Frankly, this circumstance is not unique to the automotive industry and very common with any type of modern business structure with large manufacturers and smaller retailers. Progressive companies have learned the value of using the internet to its full potential while others neglect the venue. From uncertainty and apprehension to misunderstanding how to approach online marketing, dealerships are not taking advantage of the opportunities available to them.

I want to spotlight on social networks. Most customers are online and OEMs have no choice in their approach; they must engage with consumers through this medium. Traditional channels are no longer sufficient to handle the pace of modern life alone and OEMs are attacking the problem from multiple angles. Moreover, OEMs typically have the resources to launch extensive and expensive campaigns and hire advertising specialists that are deeply connected to the undercurrent of trends.

Dealerships, on the other hand, do not have the same resources available to them. The good news is that some of the tools available to dealerships are cheap, if not entirely free! Consumers are not merely checking-in online at irregular intervals, but becoming mobile and connected 24 hours a day, 365 days a year. With some creativity and consistency dealerships can build a presence with local consumers and, ultimately, an interactive relationship.

**Case Study: Norm Reeves Honda.** Older enthusiasts will recall that some dealerships became famous for their "hot rod package" vehicles. Yenko Chevrolet and Royal Bobcat Pontiac offered performance packages for customers to soup-up their cars. Their reputation spread well beyond their local market because they ventured into a new arena to reach customers and satisfied a demand. Essentially, these halo cars drove sales indirectly. Fast forward to today and Norm Reeves Honda. The dealership goes beyond simply selling cars and has established a community of followers; "friends" instead of "impersonal customers" They host an annual Toy Drive & Car Show with online media outlets covering the event as well as posting pictures and commentary on their online mediums; website, facebook page, etc. With word-of-mouth viral advertising and interaction the event is successful for creating awareness of the dealership, even if indirectly.

### **QUOTE OF THE WEEK**

*"There are some that only employ words for the purpose of disguising their thoughts," Voltaire*