

# The Big Picture for Pontiac

©2005 Fighting Chance® & James Bragg

PONTIAC OVERVIEW — Pontiac is trying to recapture past glory. That will be difficult. Up and down through the '90s, Pontiac has been selling only about 7 cars for every 10 it sold back in 1986.

<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
841,000	659,000	715,000	638,000	627,000
<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
513,000	550,000	573,000	621,000	599,000
<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
551,000	609,000	537,000	616,400	613,600

Pontiac fell 13.5% to 533,403 in 2001, slipped another 3.1% to 516,832 in 2002, then fell 8.0% to 475,615 in 2003.

Sales were flat at 474,179 in 2004. The auto market edged up 1.3%.

Pontiac still sells more vehicles than many import brands. (Mazda sold 263,883 in 2004; BMW: 260,069; Mercedes: 221,321; Mitsubishi: 161,609; Volvo: 139,066.) Nevertheless, it has never appealed to those shopping for European or Japanese makes. We've had over 70,000 Fighting Chance customers, and it's rare for anyone to ask for information on a Pontiac (or a Cadillac or Buick) and an import.

Another issue: Pontiac has traditionally sold cars, not trucks, and trucks are where the action is. Most Japanese import makes offer sport/utility vehicles, minivans and pickups. (Ford, Mercury, Lincoln and Cadillac have sport-utes.) By contrast, Pontiac's Montana has long been the joke of the minivan market, along with the other GM minivans. And the Aztek sport wagon has been a total failure.

Throughout the '90s, Pontiac shared a problem with other GM divisions: compared to other automakers, GM was selling yesterday's sheet metal. The company's average replacement cycle of eight years is a major reason for GM's long-term loss of market share. By contrast, the Japanese replace products every four or five years. Pontiac now offers several new or nearly new vehicles. But GM has difficulty delivering new products to market in quantity. Months will pass before dealers get the supply they need.

Concerns over quality are partly to blame. In the 1980s, GM launched cars with quality that would have embarrassed the Russians. But ask yourself when Toyota's delivery of new products has ever been slowed to a trickle because of quality issues. (You know the answer.)

Strikes have impacted production periodically. GM, one of the high-cost producers in the industry, is trying to downsize its work force and outsource many components that have been produced by GM workers. This will reduce jobs, and the union is fighting it. It's likely to be a continuing problem for GM.

The inescapable conclusion: Pontiac needs compelling new products. Several new products have arrived in the last few years, but they don't seem to be reestablishing much momentum. The bottom line: Pontiac dealers will deal on everything they sell.

Initial product quality? According to J. D. Power & Associates Initial Quality Survey for 2004 models, Pontiac's build quality is just below the industry average. Pontiac ranked #20 of 37 automobile nameplates. (It was #22 in '03, #18 in '02, #27 in '01, #25 in '00 & '99, #29 in '98, #31 '97.) Among GM's other divisions, Cadillac ranked #2, Buick #5, Chevrolet #13, Oldsmobile #16, GMC #25, Saturn #31. (Key Japanese competitors: Toyota ranked #9, Honda #11, Nissan #20.)

Long-term reliability? In J. D. Power's 2004 Dependability Index study of 3-year-old 2001 models, Pontiac ranked #23 of 37 nameplates. The complete rankings are listed in the piece, "What They Don't Want You To Know About Product Quality."

Another note on reliability: In its April Annual Auto issue *Consumer Reports* rates vehicle reliability, based on frequency-of-repair data from subscriber responses to an annual questionnaire. I'd be sure to check the reliability data in this issue, which you probably can find at your local library, and I'd avoid any vehicles rated below average. (Alternatively, you can visit their website, [www.consumerreports.org](http://www.consumerreports.org), where you can purchase access to all the data for \$3.95.)

I'd also check to see if recent models of my vehicle were on their list of "Used Cars To Avoid." (We used to include this information in our package, but it's proprietary information and their lawyers threatened a lawsuit if we continued doing that.)

Like all GM franchisees, Pontiac's 2,800 dealers have a "hidden profit" in every deal of 3% of the total sticker price (MSRP), excluding the destination charge. It's called holdback, and it's built into the invoice price, then later returned by GM. He won't share his holdback with you, but if you remind him that you know about it, it will be harder for him to plead poverty to what looks like a slim-profit deal.

Note: In the past, GM gave dealers a "carryover allowance" of 5% of the MSRP to help them sell last year's models after the new year's models arrived. But it discontinued that policy, starting with leftover 1997s. Instead of a blanket payment, there were extra incentives (factory-to-dealer cash, customer rebates or subsidized leases), but only on slower-selling vehicles. These incentives were highest in August-September, then tapered off. Expect a similar "leftover" policy at the end of each model year.

Virtually all automotive information sources imply that if you know the invoice price, the holdback and any "sell one and get \$XXX" factory-to-dealer cash incentives in effect, you will know the dealer's true "dead cost." That's baloney. They don't know what they're talking about. Probably only the owner of each dealership knows his or her real "dead cost."

That's because automakers reward dealers in ways that aren't revealed outside the dealer community — ways other than holdback and standard dealer-cash sales incentives. Most of these are programs that no source, on or off the Internet, can report accurately. I read *Automotive News*, the industry's weekly trade journal, which occasionally mentions one of these "extra money" programs. For example, I learned there that Volvo offers a "CSI bonus" for meeting Customer Satisfaction Index (CSI) goals. "Payment plateaus" up to \$1,000 per car are based on an overall sales-and-service six-month moving average score.

There's no way to tell where any given Volvo dealer stands vs. its CSI target. And I don't know whether this is an ongoing, year-to-year program or a one-shot, short-term one. But I believe that most, if not all, automakers pay "performance bonuses" to dealerships — maybe based on CSI scores, maybe based on exceeding a sales quota by xx%, maybe based on a combination of elements. And usually these are programs no one can define for you definitively.

This is compelling rationale for using the "fax attack" to solicit bids from a large number of Pontiac dealers, even when there's no reliable information on any "extra money" programs. If one exists, you're likely to get more aggressive price proposals (before subtracting any rebate or standard dealer cash incentive) from dealers who are expecting bonus money for each sale because they are performing near their CSI or sales goals. Since you can't know which dealers are near their goals, the more dealers you contact the better your odds of hitting some that are.

I am convinced that dealer cash incentives will always be reflected in their responses to the "fax attack," even when the details are unavailable to new-car shoppers. Think about it this way: If there's no dealer cash incentive, dealers will sell a car for a certain profit. If there's dealer cash, they'll sell it for the

same profit, passing that cash along to you. The purpose of that cash is to make dealers more competitive, price-wise. Lower selling prices mean lower monthly payments, and when payments are lower more people to buy new cars. Any dealer you put in a competitive bidding situation via the "fax attack" knows that others' price proposals will reflect dealer cash, and his bid won't be competitive if it doesn't.

There's another reason dealers are often willing to sell cars at certain times for little or no profit, or even at a loss. It's called "turn-and-earn," which means, "Sell one and we'll send you another one." For popular cars that sell well, automakers frequently base future allocations on current sales results. So if it's the end of a month and some dealerships haven't reached their monthly sales targets on a popular car, they might sell a few at bargain-basement prices, just to guarantee their future supply of a top seller.

Future allocations can also be based on a dealership's CSI scores. So you may find some dealers anxious enough to get a great CSI rating from one more customer this month to give you an exceptional deal. A Fighting Chance customer who got an Accord for \$151 below invoice reported: "The dealership had the #1 CSI ranking in Northern California and they wanted to keep it. I used my low bid from the 'fax attack' as a negotiating tool, and this dealer went \$250 below that number, asking only that I give a 100% rating on the CSI survey. He was ready to sell at almost any price to keep that #1 CSI rating!"

Again, this is one more reason to cast the widest possible net via the "fax attack." You never know where any given dealer stands on these issues. The more dealers you contact, the better your chances of contacting the right dealership at just the right time

- BONNEVILLE — Bonneville plunged 32.8% to 25,250 in 2003, when the average dealer sold just 4 every 3 months.

Bonneville sales were up 18.2% to 29,852 in 2004. But the average dealer sold just one each month.

January 1 inventories: 6,000, a 103-day supply. Industrywide, passenger car inventories were 64 days' sales. (The ideal supply is in the 50-to-70 day range, providing the consumer enough color and equipment choices without requiring burdensome interest carrying charges for dealers and automakers.)

Actual transaction prices:

- An Albany, NY customer paid \$453 over invoice. He said, "I could have negotiated another \$100, but the winning dealer included a 4-day/3-night resort vacation package and a free loaner car with service."

- Bonneville went for \$350 over in El Campo, \$365 over in Sheridan, WY and \$300 over in Portland, OR, Columbus, GA and Tulsa, OK.

- A Downers Grove, IL man got his SE for \$293 over, while another in Wilmington, DE paid \$279 over. Customers in Brighton, MI and Hopkinton, MA got theirs for \$100 over. A Rochester, NY man got his SLE for \$40 over. And customers in Knoxville, TN and St. Peters, MO got their SEs at the invoice price.

The Bonney is built on the same platform as the Buick LeSabre. It should be easy to deal on.

Product news: GM will drop this car from the lineup after the 2005 model year. No replacement is planned.

- GRAND AM — Grand Am sales fell 3.7% to 156,466 in 2003, then fell 14.6% to 133,707 in 2004, when the average dealer sold 4.0 per month.

January 1 inventories: 6,100, 58 days' sales.

Transaction reports: A Los Angeles man paid \$300 over invoice, a Portland, OR couple paid \$280 over, a Lancaster, PA customer paid \$200 over and one in St. Paul, MN paid \$100. Your target price: \$300 to \$400 over invoice, max.

IMPORTANT SAFETY NOTE: The Grand Am performed very poorly in the 40 MPH offset crash test conducted by the Insurance Institute for Highway Safety, which rated it "Poor," the worst of 4 possible ratings. I wouldn't put my family in one if they gave them away for free.

- G6 — The Grand Am is being replaced by the all-new 2005 G6, a car designed to help recast Pontiac as a more sophisticated performance nameplate. The G6 sedan arrived in September, when 924 were sold. October sales: 4,167. November: 4,407 December: 6,687 (2.4 per dealer, not the sign of a "hot" new car). A coupe and a retractable hardtop will follow this year. GM will continue building the Grand Am sedan indefinitely as a fleet car. Pontiac dealers will sell Grand Am GT coupes until the G6 coupe arrives.

January 1 G6 inventories: 17,600, a 71-day supply.

Early sales have been disappointing; GM has already put a rebate or cut-rate financing on the car. The "fax attack" should work like a charm.

- GRAND PRIX — Grand Prix sales dropped 3.6% to 125,441 in 2003.

The restyled and re-engineered 2004-2005 model helped increase sales 4.9% to 131,551 in 2004, when the average dealer sold 3.9 per month.

January 1 inventories: 24,400, a 63-day supply.

Reported transaction prices:

- \$600 over invoice for GTs in Columbia, MD, Davie, FL and North Babylon, NY. \$500 over for a GT coupe in Farmington Hills, MI. Customers in Hawthorne, CA and Irving, TX also paid \$500 over for 4-door GTs. \$563 over for a GT in St. Louis. \$560 over for a GT in Clinton, IA and \$550 over for a GTP in San Jose, CA.

- \$383 over for a GT coupe in Danville, KY and for a GT sedan in New York City. \$350 over in Oakland, CA. \$300 over in Boston, Kansas City and Greensboro, NC for GT models. \$250 over for an SE sedan in Belvidere, IL. \$224 over for a GT in Wichita, KS. \$200 over for GTs in Fairfield, CT, Topeka, KS and Brunswick, OH. \$100 over for GTs in Shoreline, WA and East Lansing, MI.

- \$176 over for an SE in Alexandria, VA. \$100 over for an SE in Miami. \$12 over for an SE in Syracuse, NY. And right at invoice for GTs in Cincinnati, Philadelphia and Cliffside Park, NJ.

- A Fairfield, CT lease: Cap cost: \$153 over invoice. An Atlanta, GA customer got a GT for \$100 over. And GTPs went for \$200 and \$250 *below* invoice in Glenview, IL and Rockville, MD.

Reasonable target range: \$200 to \$400 over invoice. But many will do better than that with the "fax attack" at the end of the month.

Product news: A high-performance GXP version will arrive in the 2006 model year.

- SUNFIRE — This entry-level car has not been a success in the marketplace. Sunfire sales fell 30.8% to 43,595 in 2003. Sales dropped 17.2% to 36,095 in 2004. The average dealer sold just 1.1 per month.

January 1 inventories: 12,100 cars, 90 days' sales.

Pay no more than \$300 to \$400 over invoice for yours. Evidence:

- A woman in Clarendon Hills, FL got hers for \$424 over invoice and a St. Louis man bought a 2-door SE for \$330 over. A man in Woodland Hills, CA paid \$300 over invoice for his convertible, a Madison, WI woman also paid \$300 over and a Chicago man got his for \$257.60 over. A woman in Westboro, MA paid \$180 over, a woman in North Canton, OH paid \$153 over and a Cincinnati woman paid \$60 over.

- Finally, a woman in Milwaukee paid just \$50 over invoice, plus . . . 3 years of free oil changes, an extended warranty for \$100 over dealer cost, free pin-striping and floor mats, *and* 2.9% financing.

Product news: Pontiac has not decided what type of entry-level vehicle will fit the performance image it's trying to create. The Sunfire's replacement may not arrive until the 2007 model year.

- MONTANA — The General Motors entries in the minivan segment have been insignificant.

Montana sales fell 17.2% to 39,388 in 2003, despite a \$3,000 rebate. Sales fell another 15.0% to 33,629 in 2004, when the average dealer sold just one per month.

On January 1, Montana inventories represented 93 days' sales (7,400 vehicles).

This is a minivan you can deal on. A few transaction price reports: Customers in Long Island City, NY and Kansas City, MO each got theirs for \$400 over dealer invoice. An all-wheel drive model went for \$380 over in Colorado Springs, CO. A family in Renton, WA paid \$200 over, and one in Ames, IA got theirs right at the invoice price.

**But before you put your family in a Montana, note the following paragraph very carefully.**

This may be a great minivan, but there's an issue you need to factor into your purchase decision — SAFETY. The Insurance Institute For Highway Safety tested this all-new Pontiac Trans Sport (with a structure identical to the Silhouette and Venture) in a crash that was the equivalent of two vehicles hitting each other head-on (with most of the impact in the driver's area) with each vehicle traveling 36 to 37 miles per hour. The result: a structural collapse that was "unprecedented" in more than 100 crash tests run over 4 years — "worse than anything we've ever seen." In TV footage seen by 14 million households, technicians pointed out the crash dummy's severed foot and the steering wheel column jammed under its chin. With "massive occupant compartment deformation, very little survival space was left between the instrument panel, steering wheel and seat back." (I don't invent the news, I just report it. Would I put my family in one? No way. Not if they gave me one free of charge.)

You can get more detail on this test at the IIHS web site: [www.hwysafety.org](http://www.hwysafety.org). It's not a pretty picture.

Additional note on the subject: GM changed the name of the 1999 model from Trans Sport to "Montana," which was simply the name for one of the optional equipment packages on the 1997-98 model.

Why did they do that? Because they wanted to fool you. They wanted to distance themselves as far as they could from the Trans Sport name. That way, you'll never associate the "Montana" with that vehicle

that had the terrible crash test result. Doesn't say much for GM's ethical standards, does it? They changed the name, but not the structure. I can't remember a worse instance of irresponsible, misleading, anti-consumer corporate behavior.

Here's what one automotive publication said about the Montana: "Especially poor results in an offset frontal crash test raise a red flag for prospective buyers of the Montana and the similar Chevrolet Venture and Oldsmobile Silhouette. A below-average reliability record seals its fate."

My opinion: It would take a brave, foolhardy soul to buy this minivan and put a family in it.

Product news: The Montana has been restyled for the 2005 model year and dubbed the Montana SV6. GM is calling it a "crossover sport van," but it's still a minivan. (It has not been crash-tested yet.)

Pontiac lumps Montana SV6 sales with Montana sales. But the recent sales results do not show any positive effect of the all-new vehicle's arrival. November Montana sales of 1,448 were 62.7% below year-ago, and December sales of 2,141 were down 28.5% from December '03.

- AZTEK — The Aztek "sport wagon" is based on GM's FWD minivan platform. (It won't shock you to learn that it did not perform well in the Insurance Institute's "offset" crash test.) Is it selling well? Nope, it's been a colossal flop with consumers. It went on sale in late July of 2000 and through December only 11,201 were sold nationally — just 4.0 per dealer for the entire 6-month period.

Only 27,322 were sold in 2001, fewer than one per month per dealer. Sales inched up 1.7% in 2002, then slipped 1.6% to 27,354 in 2003, despite a \$3,000 rebate. The average dealer sold just one per month.

20,588 Azteks were sold in 2004, 24.7% fewer than year-ago. The average dealer is now selling 3 every 5 months.

This "SUV Symbol of GM Innovation" is too radically styled to be anything but a dog, saleswise. (One customer quipped that it was "ugly enough to make a freight train take a dirt road.") GM hoped to sell 50,000-60,000/year, but that was a pipe dream. All-new vehicles usually generate great initial sales excitement, but the Aztek was greeted by the sound of one hand clapping. One GM exec, quoted in Automotive News, said, "It's been a huge embarrassment for us. I mean, the only place you see them is on dealers' lots — unsold."

Product news: There will be no redesign for this ugly duckling. The 2005 model will be the last.

A few transaction prices: \$147 over invoice in State College, PA. \$50 over in Plymouth, MI. \$172 *below* invoice in Green Bay, WI. \$183 *below* invoice in Ft. Myers, FL. \$430 *below* invoice in Melbourne, FL. \$1,000 *below* invoice in Seattle, WA and \$1,068 *below* invoice in Kirkland, WA.

January 1 inventories: 4,900, a 95-day supply. The “fax attack” should work like a charm.

• VIBE — The Vibe, an entry-level sport wagon based on the Toyota Corolla arrived as a 2003 model. (Toyota’s version is called the Matrix.)

56,922 were sold in 2003. But Toyota’s 1,203 dealers sold 87,880 Matrixes in the same period.

Vibe sales edged up 3.5% to 58,894 in 2004, when the average dealer sold 1.8 per month. Toyota Matrix sales: 89,953, 6.2 per dealer per month.

Is this a “hot” vehicle? No. In the best sales month so far, the average dealer sold just 2.8 Vibes. The problem (I think): The car is aimed at young prospects, and most young people wouldn’t be caught dead in a Pontiac store.

January 1 inventories: 19,500, a 128-day supply.

It’s usually a good idea to wait for the initial sales excitement to dissipate before you shop for any all-new vehicle. It was difficult to deal on the Toyota Matrix early in the introductory period, but the Vibe has been easy because there never was any initial sales excitement.

Vibe deals to report:

\$500 over invoice in McMinnville, OR. \$463 over for a factory-ordered car in Seattle, WA. \$277 over in Chesapeake, VA. \$193 over in Arlington, MA. \$200 over in Antioch, CA. \$197 over in Medina, OH. \$172 over in Rochester, NY. \$154 over in La Grande, OR. \$100 over in Hampton, SC. \$100 over for an AWD model in Liberty Lake, WA. \$40 over in Beloit, WI. \$15 over in Torrance, CA. Right at invoice in Houston, TX and Richboro, PA. \$3 *below* invoice in Sacramento, CA. \$76 *below* invoice in Richboro, PA. And a whopping \$2,260 *below* invoice in El Monte, CA.

In net, the Vibe is a welcome addition to the Pontiac lineup. But dealing on one using the “fax attack” at the end of the month should be a cakewalk.

GTO — This 4-passenger performance coupe, arrived at the end of December 2003, when just 79 were sold. 13,569 were sold in 2004 by Pontiac’s 2,800 dealers. That’s an average of just 4.9 per dealer — again, not exactly the mark of a “hot” car.

January 1 GTO inventory: 2,700, a 25-day supply. This car will not be tough to deal on. The “fax attack” should be deadly at the end of any month.

## FUTURE PRODUCTS

• An all-new sport wagon, the Torrent, will arrive as a 2006 model. It’s being developed on the same platform as the Saturn Vue and the Chevrolet Equinox.

• A small rear-wheel drive roadster, the Solstice, will arrive in the spring of 2005 as a 2006 model, base-priced below \$20,000.

Pontiac's Home Phone Number— If you've got questions for them, their customer assistance and information phone number is 800-762-2737. You'll find product information and a “dealer locator” on Pontiac’s website: [www.pontiac.com](http://www.pontiac.com).

*James Bragg*

P.S. You will typically pay the Pontiac dealer group advertising charge as an additional expense — usually 1% to 2% of the invoice price. (See the note on this subject in the piece titled “To Our Customers.”)