

For Car Buyers, It's Harder To End Up With A Lemon

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DETROIT (AP) — Car shoppers today are less likely to end up with a lemon.

In the past five years, global competition has forced automakers to improve the quality and reliability of their vehicles — everything from inexpensive mini-cars to decked-out luxury SUVs.

The newfound emphasis on quality means fewer problems for owners. It also means more options for buyers, who can buy a car from Detroit or South Korea and know it will hold up like a vehicle from Japan.

With few exceptions, cars are so close on reliability that it's getting harder for companies to charge a premium. So automakers are trying to set themselves apart with sleek, cutting-edge exterior designs and more features such as luxurious interiors, multiple air bags, dashboard computers and touch-screen controls.

"It's a great time to be a consumer," says Jesse Toprak, vice president of industry trends for the TrueCar.com auto pricing website. "You can't really screw up too badly in terms of your vehicle choice."

It wasn't always this close.

In the 1990s, Honda and Toyota dominated in quality, especially in the key American market for small and midsize cars. Japan began building high-quality small cars and tapped into America's growing appetite for fuel efficiency in the 1970s. With their sterling reputation, they were able to charge more than Detroit automakers and cut Detroit's U.S. market share from 78 percent in 1980 to just under 43 percent in 2009, according to Ward's AutoInfoBank.

Cars from Detroit generally weren't as trouble-free in the 1980s and '90s. Hyundai executives concede their quality used to be poor.

However, around 2006, as General Motors, Ford Motor Co. and Chrysler Group LLC were heading into financial trouble, they realized that people were shifting away from trucks and sport utility vehicles to smaller cars and car-based crossover SUVs. Gas prices were on the rise again, and the companies, which relied on bigger vehicles for their profits, had few cars to offer.

Fearing the shift, Detroit decided to go after the Japanese and shifted research dollars from trucks to cars after years of neglect. Detroit also realized that Hondas and Toyotas were quieter and more reliable, so they spent more on engineering and parts to close the gap.

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Meanwhile, Korean automakers Hyundai Motor Co. and Kia Motors Corp. were busy redesigning their cars, changing to more cutting-edge looks to boost sales. Then, Toyota's reputation was tarnished by a series of safety recalls, and Honda played conservative with new models that looked similar to the old ones.

The newfound emphasis on quality has closed the gap between best and worst in the industry. In 1998, J.D. Power and Associates, which surveys owners about trouble with their cars after three years, found an industry average of 278 problems per 100 vehicles. By this year, the number fell to 132.

In 1998, the most reliable car had 92 problems per 100 vehicles, while the least reliable had 517, a gap of 425. This year the gap closed to 284 problems.

"We don't have total clunkers like we used to," says Dave Sargent, automotive vice president with J.D. Power. Nearly all automakers are improving in quality, but manufacturers that are at the bottom of the rankings are improving more quickly than those at the top, Sargent said.

Detroit's three automakers have narrowed the quality gap considerably against brands from other countries. In 1998, J.D. Power found 42 more problems per 100 vehicles with GM, Ford and Chrysler cars and trucks. This year the gap had narrowed to just 13. While car prices are still rising, the narrow gap keeps Japanese automakers from charging a premium over rivals with similar models.

The competition helps consumers by giving them more choices and more car for their money.

Some examples:

— Compacts: It used to be that the Toyota Corolla and Honda Civic were far better than the rest, and they cost more. But the new Chevrolet Cruze and the vastly improved Hyundai Elantra and Ford Focus are giving consumers more options. The Cruze, which went on sale in 2010, is far better than the car it replaced, the Chevrolet Cobalt. GM sold 231,000 Cruzes last year to pass the Civic for second place and come within 9,000 of the Corolla, the small-car sales leader.

While Corollas and Civics were in short supply following Japan's March earthquake, the Cruze offered a good alternative for people who didn't want to wait. In May, Cruze sales surged 40 percent over the Cobalt's year-earlier sales, besting all rivals to become the top-selling U.S. compact that month. The competition has nearly erased the premium paid for Hondas and Toyotas. But that's largely due to price increases by competitors. Since compacts have more features, people are paying more for the Focus, Elantra and Cruze.

For example, in 2007, Toyota got an average of \$15,820 for every Corolla it sold, a premium of \$1,708 over what GM charged for a Chevy Cobalt. The average Cobalt sold for \$14,112.

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But last year the roles reversed. The premium instead went to General Motors, which got an average price of \$19,858 for the Cruze, which replaced the Cobalt in 2010. That's \$2,028 more than the Corolla at \$17,830, according to the TrueCar.com website.

— Midsize cars: Toyota's Camry and Honda's Accord used to be dominant. But Ford's Fusion, Nissan's Altima and Hyundai's Sonata are cutting into their sales. The Camry kept its long-held title as the nation's top-selling car last year, but the Altima and Fusion passed the Accord, which is typically No. 2. The price premium paid for Hondas and Toyotas has nearly vanished in midsize cars as well. Like with small cars, people are paying more because of more standard equipment and options.

"It's very hard to find products that aren't good anymore," says Jeremy Anwyl, CEO of the Edmunds.com automotive website. "In safety, performance and quality, the differences just don't have material impact."

First-year law student Randall Rosales found many good choices last year when he began looking for a small luxury SUV to replace his mother's 2008 Infiniti sedan in Dallas. At 22 years old, he's his family's designated car expert. Unlike previous searches, he's found that every vehicle on his list has similar quality and options.

"It's getting harder to choose because every manufacturer, at least in the luxury class, tends to have all the features we consider essential," Rosales said.

In past searches, some automakers, including those based in the U.S., were behind in features like Bluetooth cell phone links and touch-screen controls, Rosales said. But that has pretty much evened out, he said.

He considered the BMW X3, Mercedes GLK350, Lexus RX 350 and Infiniti EX35 before picking an Audi Q5 because the fuel economy of its turbocharged four-cylinder engine and its interior quality set it apart.

With quality, fuel economy and price close to equal across the U.S. market, companies also are pushing the edge on exterior design to differentiate their cars. Honda, for instance, unveiled a daring new Accord coupe in Detroit that looks like a far more expensive car, while Ford did the same with its new Fusion.

"It's got to be beautiful," says Mary Barra, GM's product development chief who led work on a new Cadillac small luxury sports sedan.

Another way to stand apart is to lower a car's base price, sacrificing profits to gain market share, at least initially.

That's what Chrysler is hoping for with the new Dodge Dart compact, which starts around \$16,000, about \$700 less than a Cruze and \$500 less than the Ford Focus, the Dart's two main competitors.

CEO Sergio Marchionne says the company won't make much money on a basic Dart. But the lower price will get the car on shopping lists, and Marchionne is hoping

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people will add features and pay more.

Chrysler in the past spent little on compact-car development and hasn't offered a competitive one for years. But being late has its benefits. Chrysler learned by avoiding mistakes made by other companies, says Ralph Gilles, the company's chief designer.

"Coming last to the party, you can bring a nice bottle of wine," he says.

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