Honda Gets A Do-Over; Revamps Civic To Fix Flaws

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Honda has made a quick U-turn.

Just 19 months after its Civic compact hit showrooms and was slammed by critics, the company has revamped the car, giving it a sportier look and upgrading the interior.

It's an unusual and costly do-over. But Honda — among the auto industry's most highly-regarded brands — was worried the car's flaws would hurt sales and market share, analysts say.

The 2013 version goes on sale Thursday, and Honda has given it a sportier profile, replaced its chintzy dashboard and made the ride quieter. The revamp comes to market in about half the time it normally takes, and shows just how concerned Honda is about falling behind rivals.

"The new consumer coming to the marketplace looking for a compact car doesn't think the Civic is a slam-dunk anymore," says Jesse Toprak, vice president of market intelligence for the TrueCar.com auto pricing website.

The company misjudged the small-car market when it rolled out the Civic in April of last year, analysts say. Small-car buyers used to tolerate cheap materials, noisy interiors, and boxy styling just to get high gas mileage. But they now expect their gas-sippers to have a quiet ride, crisp handling and plush seating. The 2012 Civic lacked those refinements.

It was so noisy, for example, that "I kept trying to put the windows up," recalls IHS Automotive analyst Rebecca Lindland, who says that competition caught Honda off-guard.

To be sure, criticism of the 2012 Civic hasn't dented demand. Sales of the car have risen to 255,000 through October, up 39 percent from last year. The car has passed the aging Toyota Corolla and the Chevrolet Cruze to become the nation's top-selling compact.

But the increase came mainly because Civics were in short supply last year following an earthquake in Japan. Loyal customers delayed purchases until the Civic returned, Toprak says. The Civic also is selling well because of discounts, he says. Dealers are knocking about $2,500 off the sticker price to clear out 2012 models. Civic discounts usually run about $500.

Without changes to the car, Honda probably would keep longtime customers, but it

wouldn't attract new ones. "They will eventually start bleeding market share," Toprak says.

When Honda began to develop the 2012 Civic years earlier, competitors still were putting out blasé compacts aimed at budget-conscious buyers. But as gas prices rose, consumers shifted to smaller vehicles. At the same time, companies like Hyundai rolled out sleek, quiet compacts with amenities once reserved for the luxury class.

Shortly after the 2012 Civic went on sale, in the spring of 2011, the influential magazine Consumer Reports refused to give it a coveted "Recommended Buy." The magazine's chief auto tester said that the car was a step backward, and it appeared Honda tried to save money by using cheaper parts.

Company executives get prickly when asked if criticism was the reason they moved so fast to update the Civic. They'll say only that they wanted to keep the car ahead of the competition.

"We're not reacting to negative criticisms," says Art St. Cyr, Honda's chief product planner in the U.S. He says that Honda started revamping the Civic even before the 2012 model came out. "We weren't embarrassed. We weren't trying to make excuses for what we were doing."

Yet Honda did something startling with the 2013 model. Instead of making a few cosmetic changes that normally come in the middle of a car's life, the company did an overhaul. It added insulation to cut engine noise, put in thicker glass to reduce wind, and made the brakes larger to stop the car faster. The seat material was upgraded, and Honda added a softer dashboard with two colors. Outside, the car got it a more aerodynamic look with a new hood, trunk lid and lights.

The improvements are so vast that Honda must have started working on them even before the 2012 went on sale, Lindland says. That's before the criticism came from Consumer Reports and others.

Lindland, who drove the 2013 Civic in advance of its Thursday debut at the Los Angeles Auto Show, says it's far better than the 2012. "I was really impressed with how quiet it was," she says. "It's just a more refined and more elegant small car."

Toprak says the new Civic looks like an expensive luxury car, especially when compared with its predecessor.

The revamp is costing about $500 per car, Honda estimates. Toprak says the spending was necessary to attract new buyers. Many people who would have bought larger cars are now looking at compacts because they're in fashion, he says.

Compact car sales now account for 14.6 percent of the U.S. market, up 2.2 percentage points from just five years ago, according to Ward's AutoInfoBank.

Honda will get part of the revamping cost back by raising the base price of the Civic

LX by $160 to $18,965 with an automatic transmission. But the company eliminated the stripped-down DX version, which started at just over $17,000 with automatic.

The quick do-over puts the Civic back among the top cars in its segment, says Lindland. But it doesn't mean that all automakers will upgrade their cars every 19 months.

"It's expensive to do these," she says. "I wouldn't say this is a trend — yet."

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