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Performance Meets Fuel Economy

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The BMW 335d's luxury is rivaled
only by its fuel economy

NEAR-FUTURE SHOCK

GET READY FOR 4-CYLINDER, 40-MPG LUXURY CARS

Hybrids and Diesels will Preserve Performance under Tighter CAFE Rules



Whether measuring by cylinder count, displacement, or horsepower, luxury vehicle customers have historically expected and demanded “more, more, more” from their cars’ engines. That’s about to change.

Upcoming fuel economy regulations will soon shift the focus to a measure that many luxury vehicle customers typically didn’t worry about: miles per gallon. Yet, luxury buyers will still expect strong performance.

International luxury brands are gearing up to deliver diesels, hybrids, and more four-cylinder models that get up to 40 mpg. Just as important, these new models will preserve the performance, driving enjoyment, and comfort expected in the luxury category. The bigger challenge may be more about marketing. Namely, how do brands manage and even shift consumer perceptions and expectations for luxury vehicle performance?

John O’Dell, Edmunds GreenCarAdvisor.com editor,

doesn’t think the task will be difficult. “Luxury buyers are a good target group for high-tech alternative propulsion vehicles. They’re more likely to be able to justify the price premium,” he said. “A \$1,000-\$4,000 premium on a \$20,000 vehicle is a lot, but it’s less of an issue when it’s done to a \$40,000 or higher vehicle. Putting the technology in higher-priced cars first helps amortize development costs.”

O’Dell believes last year’s \$4-\$5 gas prices left a lasting impression on many. “There still is a portion of the populace that understands that fuel prices are volatile,” he said.

Mike Omotoso, Senior Manager, Global Powertrain Forecasting for J.D. Power & Associates, offers a more cautious view. “At \$2 a gallon, most customers won’t respond [to high-MPG models] when the purchase premium is high,” he said.

Short-Term Forecast: Fewer Cylinders

With just a few exceptions, most vehicles in the luxury category today use six and eight-cylinder engines, with a

BY JIM KOSCS,
AIADA CONTRIBUTING EDITOR



Lexus calls the HS 250h hybrid “the most fuel-efficient luxury car for combined mileage in the U.S.” The brand’s first four-cylinder model, the HS 250h, arrives this fall.

smattering of V-10s and V-12s. Sixes are the most popular among luxury passenger cars.

Current four-cylinder luxury-brand models are concentrated at the entry segment and include the Audi A3 and A4 and the Acura TSX. The A3, A4 2.0, and the TSX are rated at 30 MPG in highway driving. The A4 models are also available with a V-6, but Audi of America spokesman Chris Bokich said that 90 percent are sold with the 211-hp turbocharged four.

Bernie Glaser, general manager, Product Management for Mercedes-Benz USA, believes customers will not care as much about cylinder count or even horsepower after they sample the smooth, high-torque performance of diesels and hybrids. Marketing for such vehicles, he said, would need to emphasize driving feel rather than pure numbers.

Fours will likely be seen beyond pure entry-luxury models. BMW is considering a dual-turbo direct-injection gasoline four-cylinder engine that could be used in place of some sixes.

Omotoso expects Lexus to stick with hybrids. “They’ve suc-

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BMW's dual-turbo 3.0-liter inline diesel six produces 265 horsepower and a staggering 425 lb.-ft. of torque, yet returns an EPA-rated 36 mpg in the highway driving.

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cessfully established themselves as a hybrid leader,” he said, adding that not all the brand’s hybrid models have sold well. “The RX hybrid sells the best—15,200 last year. But the sedans did less than 1,000 each.” The problem, he explained, is one of customer expectation. “When people hear ‘hybrid,’ they automatically expect high fuel economy,” he said. “The Lexus [GS 450h and LS600hL] hybrid sedans are more performance-focused than economy-focused.”

Omotoso expects the German luxury brands to also offer more hybrids, but said, “They will ultimately produce and sell more diesels, since that is their field of expertise.”

Following is a brand-by-brand rundown of high-mpg models available now and due soon.

BMW Diesels Find Mixed Success

BMW this year returned diesels to the U.S. after more than a 20-year absence. Although BMW offers four- and six-cylinder diesels in Europe, it brought only the dual-turbo six here to offer in the 3-Series sedan and X5 SUV.

The BMW dual-turbo diesel six-cylinder engine is a powerhouse with 265 horsepower and a whopping 425 lb.-ft. of torque, giving the 335d sedan performance nearly as good as the 300-hp 335i gasoline model. Yet, the 335d returns an EPA-estimated 23 mpg city/36 mpg highway vs. 17/26 for the gas version.

Sales performance, though, has been mixed. “The X5 xDrive35d is doing pretty well,” said BMW North America spokesman Dave Buchko. “So far this year, it accounts for nearly 20 percent of all U.S. X5 sales.”

“It’s a compelling proposition. The MSRP is less than the V-8 model with performance that comes pretty close and also fuel consumption far better than even the six-cylinder gasoline models,” Buchko added. The X5 xDrive35d is priced \$5,000 less than the X5 gas V-8 model and returns over 30 percent better highway fuel economy.

The 335d sedan, however, “is doing less well at this stage,” Buchko said. Automotive media have praised the 335d’s performance but have questioned the \$2,275 premium over the gas 335i model (with automatic transmission, which is standard with the 335d). Currently, a \$900 federal tax credit reduces the gap to \$1,375.

Lexus Introduces an “Economy” Hybrid

Lexus was first with luxury hybrid models and this fall adds another. The HS 250h will be its first dedicated luxury hybrid—that is, one not based on a current conventional model. The midsize HS 250h sedan will use a 2.4-liter four-cylinder engine teamed to the Hybrid Synergy Drive system to generate 187 total system horsepower.

That makes the HS 250h the brand’s first four-cylinder model. “Because the HS will be the most fuel-efficient luxury car for combined mileage in the U.S., we don’t think we’ll get any pushback on offering a four-cylinder,” said spokesperson Nancy Hubbell. “The advantage of the Lexus Hybrid System is that it offers power and efficiency, so we think our customers will be thrilled with both.”

The new hybrid model is expected to attract both current Lexus owners and conquests, according to Hubbell. “It’s in the near-luxury category, so it will be attainable by more people. And it will feature the latest in technology and luxury amenities, so it will appeal to people who may not have considered Lexus in the past.”

Although Lexus is touting the first use of “carbon-neutral” Ecological Plastic in the trunk and elsewhere, luxury is still this car’s focus. The HS 250h was engineered with special dampers, seals, and coatings to mitigate noise, vibration, and harshness (NVH), so performance should be smooth and refined.

Mercedes Takes Aim at 40 MPG

Mercedes-Benz is placing bets on both clean diesel and

POWER TO THE PEOPLE: Why Diesels are Fun

If some diesel models are not selling as well as expected, maybe it’s because shoppers are looking at the wrong numbers.

Automotive Media, for example, points out that the BMW 335d’s impressive fuel economy (23/36 mpg) is offset by the car’s higher price compared to a 335i gas model, and by the higher cost of diesel fuel.

Also, judged purely by acceleration numbers, the 335d is “slower” than the 335i and only marginally quicker than the 328i. So, why would anyone consider the 335d over its gasoline siblings?

One reason might be driving pleasure, which is, after all, BMW’s calling card. Shoppers who test-drive these three BMW models would probably say that the 335d



feels far quicker than the 328i, although the performance numbers suggest otherwise. That’s because the 335d’s 425 lb.-ft. of peak torque (at just 1,750 RPM) is nearly double that of the 328i, and it is 40-percent greater than the super-quick 335i.

“The 335d is the sort of car that one has to experience to truly appreciate, and our experience has shown that when folks drive it they are very impressed,” said BMW spokesman Dave Buchko.

The trick is to get customers past the numbers and into the driver’s seat.

hybrid technologies. The company offers 50-state diesel technology in its three larger SUVs, charging a relatively light \$1,000-\$1,500 premium over comparable gasoline versions. Glaser said that through the first quarter, diesels accounted for 28 percent of Mercedes GL-Class SUV sales and about one-fifth of ML-Class SUVs.

The brand's high-mileage diesel story, however, is found in the E-Class. The current E320 BlueTEC is a 45-state model sold at a \$1,500 premium vs. the gasoline E350. It achieves 33 mpg in highway driving. This fall, the new-generation E-Class will offer the company's 50-state version of the V-6 diesel powertrain, with about the same fuel economy.

Mercedes made big fuel economy news at the 2009 New York Auto Show, where its E250 BlueTEC sedan impressed with a claim of 28/39 mpg in city/highway driving. Although billed as a "concept" for the New York Auto Show, the E250 BlueTEC is a European E-Class model that can meet stringent U.S. emission regulations.

Glaser told AutoDealer that the car's New York appearance was to "gauge reaction" from the media and public. He added that the company is not currently market-testing the car and doesn't think American customers are quite ready for a four-cylinder E-Class.

The engine, however, could find a home in the smaller C-Class sedans and the new GLK crossover SUV. "Dealers are interested in getting more fuel-efficient offerings," Glaser said.

"With diesel, we don't think the number of cylinders will be as important," he added. "Our current diesel customers are attracted by the high mileage per gallon and surprised by the torque and how much fun they are to drive." Mercedes personnel have been "shocked" to learn the E250 BlueTEC has a four-cylinder engine after riding in it, according to Glaser. "If you don't tell people, they could think it has a six."

At the upper end of the spectrum, Mercedes is debuting a hybrid S-Class sedan this fall. The S400 BlueTEC will achieve about 30 highway mpg vs. 22 mpg for the V-8 S550 model. The car pairs a V-6 engine to a mild hybrid system. The price will be "not much more" than the S550, according to Glaser. Notably, the S-Class hybrid will be the world's first production car to use a lithium ion battery pack.

Another Mercedes hybrid arriving in the fall, the ML450h is a "full hybrid" SUV that will achieve about the same 24 mpg highway economy as the ML320 BlueTEC diesel.

Why offer diesels and hybrids? "We've never said it has to be 'either or,'" said Glaser. "Some of our customers are asking for hybrids, others want diesels. We're studying the entire spectrum of alternate propulsion, including pure electric, range-extenders, fuel cell, and natural gas."

Omotoso of J.D. Power explained, "Hybrids excel in improving city mpg; diesels are better on highway and for towing."

Audi Adding Diesels; Acura Putting Them "On Hold"

Audi is adding diesels and has been proactively marketing



Audi showcased its TDI diesel fuel efficiency with 23 vehicles driving 4,900 miles across the U.S. last fall. The A3 TDI model, which arrives in showrooms in 2010, averaged 47 mpg.



The Acura TSX is a four-cylinder luxury model rated at 30 mpg highway. Customer demand for more power has been answered by a V6 companion model for 2010.

their benefits. Most recently, the seven-passenger Q7 TDI SUV arrived offering 25-mpg highway fuel economy from its 3.0-liter V-6 diesel engine.

Audi performance and luxury on 40 mpg will arrive in 2010, when the company launches a TDI version of the compact A3. Volkswagen already uses the widely praised 2.0-liter four-cylinder diesel engine in its Golf and Jetta TDI models.

Acura had planned to by now have introduced its first diesel, the four-cylinder iDTEC, in the TSX sedan. Those plans are now "on hold," confirmed company spokesman Chris Naughton. "Our CEO, Takeo Fukui, announced that we would apply the bulk of our resources to expanding hybrid offerings," Naughton said.

That is a 180-degree shift from just over a year ago, when Dick Colliver, Honda and Acura's executive vice president of automotive sales, said at the 2008 Chicago Auto Show that hybrid powertrains were "better suited to smaller cars" and that larger luxury vehicles were "better suited for diesel."

The change in strategy has been attributed to costs of diesel catalyst technology and diesel fuel. The speed of the shift demonstrates how quickly parent Honda adapts to market needs. Acura has not given a timetable for introducing a hybrid model nor announced what hybrid technology it would use. **AD**