

Carmakers resort to new model price cuts

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Ford Motor and Chrysler have taken the rare step of offering discounts on their newest models as they gear up for a ferocious battle for the hearts and wallets of North American pick-up truck buyers.

At the centre of the fray are the 2009 versions of Ford's F-150 and Chrysler's Dodge Ram, both now arriving in dealer showrooms.

Pick-ups are Detroit's life-blood. Ford's F-Series has been the US's top-selling vehicle for the past 31 years, contributing 27 per cent of Ford's 2007 sales volumes. The Ram accounted for 17 per cent of Chrysler's sales last year.

The trucks' contribution to the bottom lines of the beleaguered carmakers is known to be much higher, though precise numbers are not disclosed.

But Ford and Chrysler are launching their new models at a very difficult time. The housing slump has cut demand from building contractors and other tradesmen, among the biggest truck customers.

High fuel prices and tight credit have also chased off many so-called "never-never" customers city-dwellers who are excited by the image of a truck but never use it for towing or hauling.

F-Series sales in September were 39 per cent lower than a year earlier. Ram sales were down 28 per cent.

CSM Worldwide, a Michigan consultancy, expects further shrinkage next year and in 2010, bringing sales of trucks down to about half of 2001's 3.3m peak.

Yet capacity still exceeds demand. Hence, the blizzard of incentives from* the carmakers. Ford offers \$2,500 on every trade-in for an F-150. According to Edmunds.com, an online car pricing service, deals on the 2009 Ram include up to \$2,000 in cash discounts.

The perks helped bump up sales of large pick-ups last month to almost 16 per cent of the US light-vehicle market, from a low of 8.6 per cent in May when fuel prices were near their peak and Americans stampeded to small cars. But both segment share and overall volumes are set to dip again as the economy weakens and incentives lose traction.

Sir John Bond and Jorma Ollila have resigned from Ford's board of directors. Ford said Sir John, the former head of HSBC, and Mr Ollila, chairman of Nokia and Royal Dutch Shell, "believe they could not devote the additional time and international travel that would be required of them as the company responds to the unprecedented external environment and rapidly changing auto industry".

Fonte: Financial Times, London, October 20 2008, Companies & Markets, p. 20.