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## Detroit Revs Up the Car Deals, And the Prices, Amid a Slump

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Facing the slowest sales in four years, the major auto makers are trumpeting a new approach to get consumers into showrooms: no down payments.

The move is the latest twist in the discount derby that **General Motors Corp.** ignited a year ago with its 0%-financing offer. Other manufacturers quickly followed with similar deals, but in recent months the tactic has been losing its fizz.

Now comes a whole new wave of deals, designed to entice buyers who may have balked at the down payments of \$1,000 or more that were typically required to close a deal.

Last month, GM extended its "Zero, Zero, Zero," in which buyers put no money down, make no payments for 90 days and pay no interest for the life of the loans. **Ford Motor Co.** this fall rolled out its "Free Ride," which offers customers no payments and no money down for 90 days on 2002 models. Even some foreign makers, who had previously been more restrained in offering costly incentives, are jumping in. **Volkswagen AG**, whose sales slid 15% in October, this month introduced a "Green Light Lease" program that waives nearly all up-front costs.

The programs, all of which run until January, are meant to show nervous consumers that they can get a new car right now without having to tie up any money. By contrast, most of the 0% deals in the past required consumers to begin

### SWEETHEART DEALS?

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- [How 0% Financing Deals Destroy Your Car's Value<sup>3</sup>](#)  
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- [Leasing a Car Can Make Sense, Despite Those Incentives to Buy<sup>4</sup>](#)  
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- [Ford Drops 0% Financing Plan, Ushers In New Incentive Deals<sup>5</sup>](#)  
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### COMPANIES

Dow Jones, Reuters

#### General Motors Corp. (GM)

PRICE	36.56
CHANGE	1.66
U.S. dollars	11/6

#### Ford Motor Co. (F)

PRICE	9.35
CHANGE	0.45
U.S. dollars	11/6

#### DaimlerChrysler AG (DCX)

PRICE	36.23
CHANGE	-0.15
U.S. dollars	11/6

\* At Market Close



Chevy TrailBlazer: 2003 models come with \$2,000 cash rebates or 0% financing for three years.

making payments immediately. Nonetheless, consumers need to read the fine print carefully, because many of the new deals aren't always good moves in the long run.

Indeed, behind the no-down-payment promotions, the reality is that the car makers' latest discounts aren't much better for consumers than their previous offers. Meanwhile, Detroit's Big Three are trying to nudge prices up to offset some of the costs of the interest-rate promotions.

Auto makers have a lot to worry about these days. Last month, sales of cars and light trucks fell 27% from a year ago, when sales set a new record. The seasonally adjusted annualized pace of sales fell to 15.5 million vehicles in October, the lowest level in four years.

The companies are trying to simultaneously jump-start sales but at the same time wean customers from the profit-draining 0%-financing deals. In the case of GM, the new deals for 2003 models are only on three-year loans, less costly for the car maker than five-year 0% loans.

"Desperation is obviously a key part of it," says Art Spinella, president of CNW Marketing Research Inc. of Bandon, Ore.

GM extended the "Zero, Zero, Zero" program recently to cover Buick, Cadillac, Chevrolet, GMC, Oldsmobile, Pontiac, Saturn and Saab cars and trucks from the 2002 and 2003 model year. The program offers no monthly payments for 90 days and no down payments. On its leftover 2002 models, Ford has been offering a "Free Ride" deal that allows purchasers to defer the first loan payment until after January.

But consumers should be aware of potential hitches in both deals. In the GM deal, only customers with the best credit tend to qualify. The catch with Ford's program: Once consumers start making payments, they have to pay the full amount owed in 57 months, instead of the normal 60 months, meaning their monthly payments will be larger.

With such deals, people typically end up with bigger monthly payments and more interest payments. "It's always a bad idea," says Remar Sutton, president of the Consumer Task Force for Automotive Issue, which he co-founded with Ralph Nader.

At the same time, car makers are raising the prices on popular models. J.D. Power & Associates, which tracks sales information through a network of dealers around the country, says its data show that transaction prices -- which reflect cash rebates and other discounts but not subsidized financing -- have actually risen in the past several months on some hot-selling models. Ford's F150 crew-cab pickup, for example, sold at an average of \$27,079 in September, up from \$26,308 a year earlier. GM's Chevy Tahoe SUV averaged \$33,917 in September, up more than \$1,300 from a year earlier and nearly \$700 from the average price in August.

"When there is a model that's in demand, they will take every opportunity to maximize revenue," says Tom Libby, who tracks the sales data at J.D. Power. But, he adds, "if they see that sales are softening too much, they'll back off."

Even dealers have little enthusiasm for the no-money-down deals. "It sounds real good, but it misses, because reality kicks in when you look at the details," says Douglas Smith, a Ford dealer in Englewood, Fla.

Ford's program covers only the dwindling stocks of its 2002 models. Ford spokesman Jim Cain said the No. 2 auto maker prides itself on being upfront and disclosing the details of deals. "The number of options we have offered consumers belies the notion that we're somehow trying to dupe them into taking an inappropriate

financing option," he said.

Volkswagen is the latest to offer a version of the no-money-down program on two- to four-year leases. Under the "Green Light" program, dealers say Volkswagen is waiving the first month's payment entirely as well as a security deposit that is generally equivalent to the first month's payment. The company sat on the sidelines during the 0% financing frenzy and is now trying to jump-start stagnating sales, which have fallen 2.4% so far this year. Volkswagen has been treading water because they've tried to stay out of 0% financing or advertising giant cash rebates.

Dealers say consumers still prefer the giant discounts and low financing deals that have propped up the industry for the past year. In recent weeks, the Big Three -- GM, Ford and **DaimlerChrysler** AG's Chrysler group -- have trimmed back consumer incentives and are instead giving dealers cash and bonuses for meeting sales objectives.

Mr. Spinella, the marketing research executive, says auto makers have little choice but to keep spending heavily on incentives. The alternative would be shutting down factories. "It's better to make a little bit of profit with incentives than make nothing with a plant being closed," he said.

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