



NEWSLETTER

www.dealersalliance.org

401 Continental Plaza, Hackensack, N.J. 07601

(201) 342-4542 FAX (201) 342-3997

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THE BLUE OVAL PROGRAM GOING... GOING... GONE?



As most of us are aware by now, according to the Ford Motor Company, the Blue Oval Program is here to stay. Ford announced in late August that due to the vast improvement in the Ford dealers' overall CSI Index - a seven point improvement placing us in 22 place as compared with other-make dealers - its ill-conceived, micro-managing program "will maintain the core elements of the existing program" beyond March of 2005. What Ford also announced was that although the Blue Oval Program itself is not going anywhere, what is going, going...gone is the reimbursement of the one percent added to the dealer invoice. You may

recall at the introduction of the Program, Ford announced the one percent increase to the dealer invoice as a means to cover the cost of the Blue Oval Program. Apparently, Ford has now opted to call this increase a pricing initiative.

One of the few substantial changes to the Blue Oval Program will be in the format of the Customer Viewpoint surveys and the scoring methodology. The NADA and dealer council are to be congratulated on their successful work in convincing the Ford Motor Company that the Customer Viewpoint surveys were too long and cumbersome for consumers to complete and return. Customer Viewpoint surveys will be shortened from four to two pages effective January 2005. "Top Box" scoring has also been replaced with a new "Net Promoter" metric.

Of course, another substantial change is Ford's elimination of J.D. Power in the next generation Program.

D-Plan Requirements

It is important to note that one of the "key elements" of the Blue Oval Program that will remain in place is the D-Plan. Because we are receiving calls from dealers who are currently involved in D-Plan audits, we thought it was important to remind all dealers that proof of D-Plan eligibility, although not originally included on the fmcdealer.com Blue Oval Program pages, should be adhered to without exception. The information below was forwarded by dealers who have been audited by the Ford Motor Company. Unfortunately, it is after the fact and at the point of audit that these dealers were made aware of the D-Plan restrictions.

PROOF OF D-PLAN ELIGIBILITY

The customer must provide proof of eligibility - employment records of employee and proof of relationship to employee.

Acceptable Proof of Employment:

Payoff records from time of purchase (including month before and after)

Note: Name and SSN entered in STARS is NOT sufficient to prove dealership employment.

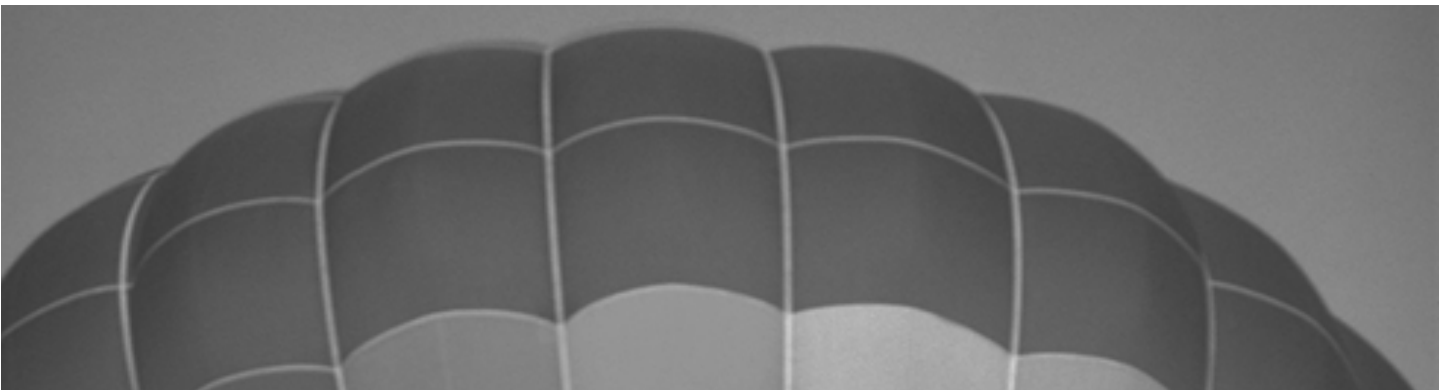
Eligible relative:	Documentation Required:
• Spouse	Marriage License
• Parents	Birth Certificate (or adoption records) of employee
• Spouse's parents	Marriage License and Birth Certificate (or adoption records) of employee's spouse
• Sons and Daughters (including in-laws and stepchildren)	Birth Certificate (or adoption records) of employee's child (and Marriage License for in-law and step)
• Brothers and Sisters (including in-laws, step and half)	Birth Certificate (or adoption records) of employee and sibling (and Marriage License for in-law and step)
• Grandchildren	Birth Certificate (or adoption records) of employee's child and grandchild

We caution all dealers to follow these guidelines carefully.

On another note, the D-Plan eligibility expansion beyond our employees is but a small aspect of a much larger problem - the ever-expanding A/Z and X-Plans. Although Ford has announced that its intention is to only apportion 10 percent of its sales to X-Plan customers, the reality is that many dealers are experiencing X-Plan sales far above 10 percent of total sales. The fact remains that anytime there are programs of this type,

1. It enables Ford to determine the gross at which a vehicle is sold;
2. It is a gross virtually at a level below a dealer's cost to sell;
3. It opens the marketplace to more and more people eligible to these low grosses;
4. It opens the door to abuses by some dealers and;
5. It allows Ford and other manufacturers to continue expanding these programs to include any and all companies.

No matter how it is sliced, it creates a two-tier pricing system and virtually all these programs should be eliminated.



GROWING MARKET SHARE

Although Ford has not given up on micro-managing our dealerships, its main focus seems to have shifted to increasing its market share. Ironically, our seven point improvement in our CSI Index has not translated to increased Ford sales. In fact, one only has to look at Ford's diminishing market share since the inception of the Blue Oval Program to determine how insignificant the correlation is between supposed meas-

urement of customer satisfaction at the dealership level and increased sales. If a customer becomes dissatisfied with a particular dealer, he or she will simply shop at another same-make dealership. If a customer becomes dissatisfied with the product, he or she will shop another make entirely. We continue to stress to the Ford Motor Company what we have always believed as Ford dealers - **"it is the product, stupid."**

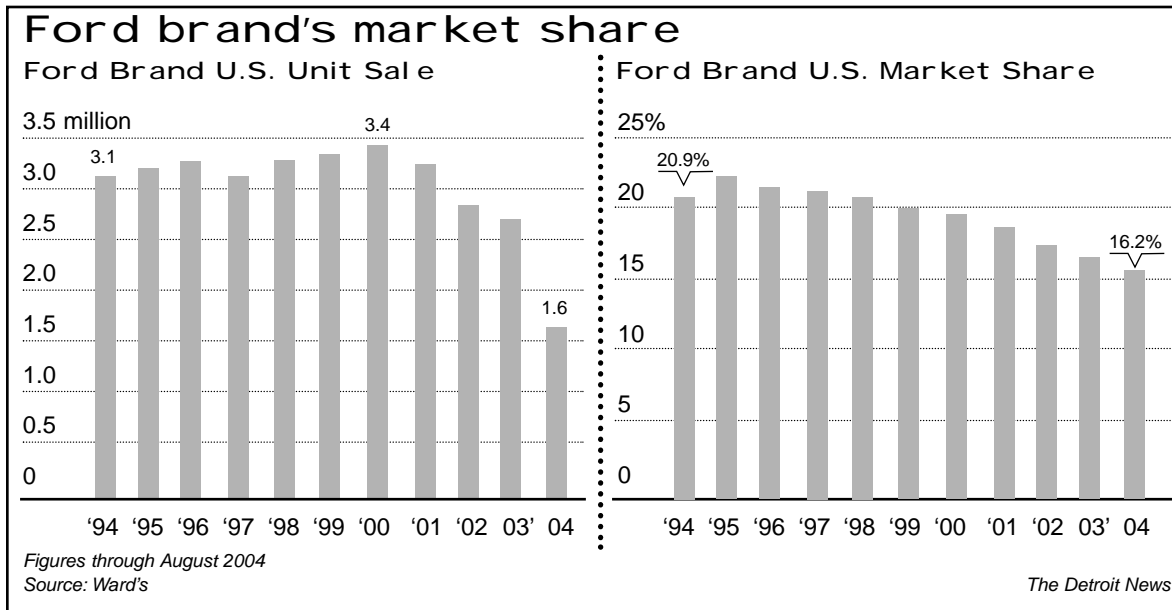


Chart - Source September 17, 2004, Detroit News

Please note that the decrease in market share and sales has been exacerbated since the inception of the Blue Oval Program in 2000.

Steve Lyons commented in the Detroit News article that he predicted that "Ford Motor Co.'s blue oval brand will finish the year with about 16.6 percent of the U.S. market." That is down from 17.1 percent in 2003.

Of course, it is this concern that has prompted Ford Motor Company to implement its next dealer initiative in the form of a dealer sales incentive program. As stated verbatim by Steve Lyons in the August 20, 2004 Fordstar broadcast,

"Growing our market share - that is the reason the Company believes that providing this incentive - not planned previously - was exactly the right thing to do."

Therefore, Ford has introduced the following program defined as "a monthly sales contest:"

Sales Incentive

- Each dealer will be measured on a monthly basis against its prior year sales performance...
- Dealers will have the opportunity to make up monthly shortfalls within the quarter (3-month wrap) and again at the end of the year...
- The payment schedule is as follows:

Percentage Accomplished	Retroactive Bonus per Unit
75 - 99	\$ 75
100 - 109	\$100
110+	\$125

FDAF Voluntary Rebate

In addition to the sales incentive, there will also be a voluntary FDAF remittance rate of .25 percent.

- FDAF Groups will be allowed to implement the increase on April 1, 2005.
- Ford A/X/Z/D Plan units, the current plan is to provide an alternative arrangement that is comparable to the additional .25 percent FDAF rebate.
- Each FDAF will be responsible for amending the appropriate by-laws and conducting a vote.

FDA Lawsuit will Go Forward

Upon Ford's announcement of the "new" Blue Oval Program, we received several calls from dealers who are outraged by Ford's decision to eliminate the 1.25 percent reimbursement of Blue Oval monies. When the Blue Oval Program was introduced, these dealers perceived the Program as a long-term amendment to the Sales and Service Agreement (without benefit of renegotiating the terms, of course) and, therefore, they spent a great deal of money in order to comply with the Blue Oval requirements. Although they believed that the Program was illegal from the onset, they felt they had no choice but to participate. The money initiative negated the so-called "voluntary" aspect of this Program.

It was a quick reminder of how insidious these types of multi-tiered pricing programs can become and how destructive they are to the entire dealer body. Other manufacturers are attempting similar programs with their dealers including Volkswagen, Mercedes-Benz, Kia and Mazda, just to name a few.

We have reviewed the next gen-

eration Blue Oval Program, including the August 20, 2004 Fordstar broadcast and August 24, 2004, memorandum outlining the changes, and, frankly, we continue to be concerned. In addition to the Program still having a multi-tiered structure in that certain benefits will only be available to certified dealers, such as AWA assistance and increased Tap days, it is still unclear whether the Sales Incentive Program and the Blue Oval Program are truly disassociated.

Although we were reassured by several dealer council members that Blue Oval certification is not a requirement in order to participate in the Sales Incentive Program, nowhere in the broadcast, or the memorandum, does Ford make that statement. In fact, what is more telling is its disclaimer at the end of the memorandum:

"As with all Company programs, Ford Motor Company reserves the right at any time, in the Company's discretion, to change, modify or terminate any of the programs contained in this communication."

As we stated previously, the lawsuit will go forward.

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