



Weekly Car Dealers Newsletter

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This information that follows is taken from sources including *The Carconnection*, *Autoweek*, and other industry sources.

Week of May 3, 2010

**SECRECY CLOAKS MARCHIONNE'S VISION FOR CHRYSLER
TOYOTA OFFERS A FIX FOR S.U.V.'S CONTROL PROBLEMS
BMW REPLACES TOYOTA AS MOST VALUABLE GLOBAL CAR BRAND**

SECRECY CLOAKS MARCHIONNE'S VISION FOR CHRYSLER

CEO inspires, but lack of information on new products criticized

There is growing consensus that Chrysler Group LLC is a healthier company than the Chrysler that entered bankruptcy a year ago Friday. Talk from the top is bold, ambitious and backed by a first-quarter operating profit -- slim at \$143 million, but a profit nonetheless.

Those who work most closely with Sergio Marchionne, CEO of Chrysler and Italian partner Fiat SpA, are energized believers in the man and his mission to grow the Auburn Hills automaker as a pivotal piece of a larger global company, and to restore long-term profitability.

But even Chrysler's most optimistic supporters wish the automaker weren't keeping evidence of its progress secret -- especially about new models being readied for sale. Other automakers trumpet concept vehicles months, even years, before they reach the market.

"A year ago, even though it was horrific times, there was more trust and pulling together," said Alan Spitzer, a dealer in Elyria, Ohio, who lost seven Chrysler Group franchises in the automaker's restructuring.

Earning the confidence of key stakeholders is critical for Chrysler. The 85-year-old automaker's future is tied to a foreign owner. But its success depends on the contributions and support of dealers, suppliers, consumers and nearly 50,000 employees worldwide to deliver a solid return on American taxpayers' \$15 billion investment. Outside of Chrysler's executive ranks, workers complain that middle management remains wed to practices in place when the automaker filed

for bankruptcy on April 30, 2009. Marchionne's vision is inspiring, but it hasn't reached the middle and lower ranks of the company, said one veteran product development employee who asked not to be named because workers are discouraged from speaking publicly without Chrysler approval. Among suppliers, some see opportunities to win bigger global contracts, given the \$68 billion in combined purchasing spending by Chrysler and Fiat. Others are afraid to quote jobs and invest hard-won capital only to get caught if Chrysler doesn't survive.

Consumers are getting mixed messages as well. Chrysler built fancy displays at recent auto shows, but didn't unveil new models that might generate publicity and send consumers into showrooms. Chrysler seems to have dropped off the radar of many consumers. Chrysler's U.S. sales plunged 36 percent last year. While most of its rivals have enjoyed a rebound this year, demand for Chrysler products was off 5 percent through March compared to a year ago. April sales, to be released Monday, are expected to be up about 20 percent, Chrysler sales chief Fred Diaz recently predicted. "Chrysler is much better off because the cost structure is dramatically improved," said analyst Joe Phillippi of AutoTrends Consulting Inc. in Short Hills, N.J. "But without a portfolio of new products to trumpet, it's tough to get consumers excited. They have to be much more visible. There are not even spy shots out there creating a buzz."

The first significant new product on the way is the remade Jeep Grand Cherokee. Production begins next month in Detroit, and the SUV hits showrooms in June. A concept version was shown at the 2009 New York auto show, but the vehicle has been under wraps since then.

"I don't know why (Chrysler) is being so secretive," said Ken Lewenza, president of the Canadian Auto Workers union. He respects Marchionne's decision not to show vehicles too far in advance, but said the argument breaks down when a model launch is imminent. Lewenza sees Grand Cherokees on the road for testing, but nothing at auto shows or in the media. He contrasts that with General Motors Co.'s strategy: "They dominate the ads. They are the leader in bragging about their products right now."

Senior management 'gets it'

If the zeal of the Chrysler management team is any indication, however, it is only a matter of time before skeptics become believers. "There has definitely been a culture change and it is fairly dramatic and rapidly moving down the organization," said Mike Manley, head of Jeep and international operations. Peter Grady, who is in charge of network development and fleet operations, describes Chrysler as a "new company with an energized workforce."

Purchasing chief Dan Knott is equally adamant. "I drink the Kool-Aid," he said. "In many cases, I'm making it. Senior management is getting it. At lower levels some get it, some don't." Knott meets with nervous suppliers to share product plans, outline opportunities for larger global contracts and bolster their confidence so they will continue to quote on Chrysler business. "Suppliers are starting to see transparency," he said. "It has not driven all the way down yet but we are working on it."

Rodney O'Neal, CEO of Delphi Holdings LLP and a member of Chrysler's supplier council, said the automaker values input from key suppliers. "The model of being adversaries has been

broken," he said. Neil De Koker, president of the Original Equipment Suppliers Association in Troy said there "definitely is a difference" at Chrysler. "We are hearing a lot of positive things." The CAW's Lewenza called the speed of change on the plant floor "unprecedented. We're building cars differently."

Dealers remain nervous

Chrysler's surviving dealers remain unsettled.

In the past, Chrysler treated retailers as partners to a much greater degree, said Spitzer, the Elyria, Ohio dealer. "There was more openness and dialogue and trust." The automaker terminated 789 dealerships as part of its bankruptcy without offering any financial help to shut down. Chuck Eddy, an Austintown, Ohio, dealer on the national Chrysler Dealer Council called the approach "dead wrong."

Eighty-six dealers have since been offered reinstatement and more are in arbitration to get their franchises back. Eddy said some dealers remain nervous about investing in their business, and some consumers are afraid to buy new cars because of what they perceive as Chrysler's still uncertain future. He believes Chrysler "will never be the transparent company it was in the past." But communication with dealers is "10 times better than six months ago," Eddy said. And Chrysler advertising is "twice as good as last fall, when we weren't comfortable with it or Sergio's management." Purchasing chief Knott said it takes time to change a company's culture -- six or seven years, according to some studies. "Bankruptcy makes it quicker," Knott said. "We've changed, but not enough, and we need to prove it."

Source: Detroit News

TOYOTA OFFERS A FIX FOR S.U.V.'S CONTROL PROBLEMS

[Toyota](#) said Thursday it had resumed sales of the Lexus GX 460 after fixing a problem with the stability control system that could cause the luxury sport utility vehicle to roll over. The company said it had released a software upgrade for the vehicle to Lexus dealerships and had begun contacting GX 460 owners to schedule repairs. "Thanks to the quick response and hard work by our engineers, we were able to identify and correct the issue in just about two weeks," Mark Templin, general manager of the Lexus division, [said in a statement](#). "This is our assurance to Lexus customers that their safety and satisfaction are our top priorities."

[Toyota stopped selling the GX 460](#) on April 13 after Consumer Reports said the vehicle, which is new for the 2010 model year, failed to prevent its rear end from sliding sideways during sharp turns. Last week it announced a recall of the GX 460 and the Land Cruiser Prado, an S.U.V. sold overseas.

Thursday's news comes a day after [Toyota announced a second recall](#) related to the vehicle stability control system on its S.U.V.'s, this one concerning the 2003 model year Sequoia.

Toyota said it would upgrade the stability control system on 50,000 Sequoias built in the early part of the 2003 model year. It said no accidents or injuries had resulted. The [National Highway Traffic Safety Administration](#) opened a preliminary investigation into the problem in December 2008, and broadened the investigation last April. In all, Toyota has recalled more than nine million vehicles worldwide since November, including two major recalls involving sticking accelerator pedals on a variety of its models.

Also on Thursday, Toyota named the six members of an independent North American panel that will advise the company on quality and safety issues. Former Transportation Secretary [Rodney E. Slater](#), which Toyota selected to lead the panel, selected the following members: Norman Augustine, the former chairman and chief executive of the [Lockheed Martin Corporation](#); Patricia Goldman, former vice chairman of the [National Transportation Safety Board](#); Mary Good, a former president of the American Association for the Advancement of Science; Roger Martin, dean of the Rotman School of Management; Brian O'Neill, a former president of the [Insurance Institute for Highway Safety](#); and Sheila Widnall, a professor at the [Massachusetts Institute of Technology](#).

On April 18, Toyota agreed to pay a \$16.4 million fine imposed by the Transportation Department, which charged that the company deliberately hid information about one of the pedal-related recalls. Toyota has not admitted fault in the complaint.

The stability control system is meant to control a loss of traction on the front or rear tires while the vehicle is going through a corner. [Toyota said that on some of the Sequoias](#), the system could activate at low speeds and prevent drivers from accelerating as quickly they would like.

It said it had made a design change during the model year, and that it had already repaired about half the vehicles involved in the recall under warranty. The vehicles were built at Toyota's plant in Princeton, Ind., between April 2002 and April 2003. Toyota said it had responded to individual drivers' complaints by replacing a skid control engine control unit. It first sent dealers a technical bulletin about the matter in fall 2003.

In the wake of [the Consumer Reports warning](#) about the GX 460, the company has been testing the stability control systems across its S.U.V. lineup. But the Sequoia recall comes about 18 months after the federal safety agency opened its investigation. At the time, the agency had received 50 complaints about problems with the stability control system, with 13 drivers saying that they had almost been involved in crashes, documents from the safety agency showed.

According to agency documents, Toyota initially told the safety agency that several issues could be involved in those complaints. It said it believed the vehicle stability control system was operating as designed, and that the problem most likely involved how drivers used the traction control system. It said it had not determined that a safety-related defect existed. Eventually, the agency and Toyota received a total of 153 complaints about the issue while the company issued five service bulletins to dealers, in all, dealing with the stability control system. In April 2009, the investigation was upgraded to an engineering analysis, so the agency could examine the "scope,

frequency and safety-related consequences” of the problem, according to the agency’s documents.

In December, the agency asked Toyota for more information about the issue, which the automaker provided to the agency in February. Toyota said it would begin mailing letters in late May to Sequoia owners, including those whose vehicles had already been serviced. It said it would reimburse those who paid to replace the engine control unit. Further details are available at www.toyota.com/recall. *Source: The New York Times*

BMW REPLACES TOYOTA AS MOST VALUABLE GLOBAL CAR BRAND

BMW AG has overtaken Toyota Motor Corp. as the world’s most valuable automotive brand, an annual ranking of the world’s top brands showed.

Ford Motor Co. and Volkswagen AG improved their brand value, according to BrandZ Top 100, a survey compiled by



the market research company Millward Brown. Peter Walshe, Millward Brown global brand director, said he believes Toyota will bounce back after the automaker’s massive recall campaign started to hit its brand value toward the end of 2009. “It is likely that Toyota’s brand has suffered further in recent months, but it is a strong brand and is trying hard to overcome the damage through a major communications campaign,” Walshe said in a telephone interview. “All of our evidence shows that strong brands are much more likely to recover from a crisis.” BMW brand’s brand value declined 9 percent compared with the 2009 ranking to just over \$21.8 billion, according to the study. Toyota’s brand value dropped 27 percent to just under \$21.8 billion.

Technology boost for Ford

Walshe said Ford’s increase in brand value was helped by the company’s investment in high-tech innovations such as its Sync voice activated electronics control system, and in new technologies such as emission control, as well as by the smart use of social media. “Our studies show that investing in technologies that benefit the consumer pays off,” Walshe said.

Ford boosted its brand value by 19 percent to \$7 billion Volkswagen increased its brand value by 20 percent to just under \$7 billion while Audi improved 2 percent to \$3.6 billion. “Both carmakers are viewed as trustworthy brands with style, global distribution, German engineering and lower prices than prestige makes such as BMW and Mercedes,” Millward Brown said in a statement.

Mercedes, Porsche suffer

Luxury carmakers lost brand value as the economic crisis hit their sales during 2009.

Mercedes-Benz, the world’s No. 4 most valuable brand according to the study after third-placed Honda Motor Corp., saw its brand value decline 11 percent to \$13.7 billion. Porsche’s brand

value fell 31 percent to \$12 billion. As a result of a depressed market in countries such as the United States and Europe, the combined value of the six car manufacturers in the top 100 ranking decreased by 15 percent, more than any other market sector. The Top 100 ranking is led by Google, with brand value of \$114 billion, followed by IBM at \$86 billion and Apple at \$83 million.

Millward Brown measures brand equity based on interviews with more than 1 million consumers globally and an analysis of the [financial](#) and business performance of each company using data from Bloomberg and Datamonitor.

Worthy brands

World's most valuable car brands in billions; rank in top 100

1. BMW \$21.82 -- (25)
2. Toyota \$21.77 -- (26)
3. Honda \$14.30 -- (46)
4. Mercedes \$13.74 -- (53)
5. Porsche \$12.02 -- (65)
6. Nissan \$8.61 -- (86)
7. Ford \$7.04 -- *
8. VW \$6.99 -- *
9. Audi \$3.62 -- *
10. Renault \$3.26 -- *

* Did not qualify for the top 100

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