



## ***Weekly Car Dealers Newsletter***

October 13, 2009

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

# **Week of October 12, 2009**

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### **[CHRYSLER TO SUSPEND JEEP PRODUCTION](#)**

DETROIT -- Chrysler Group LLC will suspend production of its popular Jeep Wrangler and Wrangler Unlimited vehicles due to a shortage in parts from an unidentified supplier. Chrysler will idle its Toledo Supplier Park facility in Ohio for one week starting [today], the company said Friday without disclosing more details. The Wrangler has been one of Chrysler's best-performing vehicles in terms of sales for the year. Source: [The Wall Street Journal](#)

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### **VOLKSWAGEN IS STEERING TOWARD AMERICAN TASTES**

Volkswagen's U.S. chief executive, Stefan Jacoby, sat on the front end of "Max," the black 1964 Beetle with the smart-alecky German accent that figures prominently in the automaker's latest TV ad campaign. The car is a fixture on the sixth floor of the company's corporate office in Herndon, but maybe not for much longer. In relocating the domestic headquarters from suburban Detroit last year, Jacoby is steering the brand in a new direction that focuses less on the iconic Beetle and cars aimed mainly at young, trendy buyers and more on the expectations of middle-class buyers -- such as cup holders, entertainment systems and other creature comforts. So in repositioning its brand for mass appeal, Volkswagen is thinking it may have to jettison Max and its niche image.

Germany's Volkswagen is "an icon brand" and "there are a lot of great stories and memories" about the Beetle, Jacoby said in an interview. But, he added, "to play a bigger role here, we need to modify and adapt to American consumers' needs." Jacoby said the move to the Washington area is a main component of his growth plan. The company, whose charcoal-gray

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U.S. headquarters houses 415 employees and contractors, has hired 200 people for marketing, communications, sales management and finance jobs, officials said. The company intends to hire about 35 more staff members by 2012. Like other automakers, Volkswagen Group of America -- which includes the Audi, Volkswagen, Bentley and Lamborghini brands -- has been hit hard by the recession. The U.S. government's "Cash for Clunkers" program offered the automaker a temporary boost in July and August, but sales fell again in September when the program ended. Sales from January to September in the United States decreased to 220,616, from 243,993 during the corresponding period in 2008, a decline of nearly 10 percent, according to MotorIntelligence.com. Still, the Volkswagen brand managed to increase its market share to 2 percent in 2009 from 1.4 percent in 2008. And Jacoby said he is determined to quadruple companywide U.S. sales to 1 million by 2018.

Officials of the Volkswagen brand -- who used Max during the past year to promote eight new vehicles, including a minivan, a sport-utility vehicle and the clean-diesel Jetta, to mixed results -- are pinning their hopes on a bigger compact sedan that will be introduced in 2010 and a midsize sedan that will be manufactured the following year at a new plant in Chattanooga, Tenn.

Jacoby, 51, offered few details about the cars, other than that they will be among the first Volkswagen vehicles built specifically for American taste. The cars will have a decidedly less European feel, with a more user-friendly steering wheel and entertainment system, an accelerator and brake pedal that are farther apart, and larger cup holders. "Here, there is more cruising and long-distance driving. In Europe, there are more tiny roads and you drive more actively than in the United States," Jacoby said. "We Germans drive and we are not drinking in the car," he added. "Americans have breakfast and coffee in the car. We have to adjust to this." Analysts expressed skepticism about Volkswagen's plan to tap into the mainstream, saying that by changing what makes the vehicles distinctive, the automaker runs the risk of turning off its loyal customers while failing to woo new ones. "The concern is that if they dilute [their image] too much they will end up upsetting their owner base, which will go somewhere else," said Wes Brown, a partner in Iceology, a Los Angeles-based consumer research and consulting firm that follows Volkswagen. At the same time, he added, "you may struggle to get a new base. If I'm a Toyota or Honda owner, why am I going to leave?"

In addition to overhauling the image of the Volkswagen brand, Jacoby is upgrading the network of 577 dealers around the country. Half of the dealers now sell only Volkswagen models, and Jacoby wants to increase that to 65 percent, a move he said would improve the quality of the operations for customers. The automaker plans to offer more diesel-powered vehicles in the United States. Volkswagen's diesel vehicles, the Jetta TDI and Jetta SportWagen TDI, were popular over the summer and virtually sold out under the Cash for Clunkers program. Company officials said a key part of their growth strategy will be to expand Audi, whose share in the luxury-car market increased to 8.3 percent this year from 6.4 percent last year. Audi officials say they do not intend to duplicate the Volkswagen strategy in Americanizing the cars. Audi, which has introduced 19 car lines between 2006 and 2008, intends to open several new dealerships, including operations in Chantilly, Alexandria and Silver Spring.

"We are raising our profile," said Johan de Nysschen, president of Audi of America. "Our goal is to have 10 percent of the luxury market share in the Washington area by the end of 2011," up from the current 8.5 percent. *Source: The Washington Post*

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## **CAR SALES SHOWING UPTURN, FORECASTER SAYS**

U.S. light-vehicle sales are beginning to show signs of improvement, according to an automobile market researcher that forecasts sales will jump 9.6% in 2010 to 11.2 million. R.L. Polk & Co., in raising its 2010 forecast by 400,000 vehicles, said the bottoming out of the housing market, expansion in manufacturing and improved consumer sentiment were signs the economic recovery was under way. Source: [The Wall Street Journal](#)

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## **FIAT CEO'S NEXT STEP TO A NEW CHRYSLER**

Fiat and Chrysler CEO Sergio Marchionne is laying the groundwork for a historic brand realignment in Auburn Hills that could reduce the profile of the namesake Chrysler and sporty Dodge brands, according to people familiar with their internal planning. Chrysler Group LLC created a separate brand Monday for its Dodge Ram trucks and announced a management shake-up that signaled a new direction for Chrysler and Dodge, while reaffirming its strongest brand -- the outdoorsy Jeep.

The move comes just four months after Fiat SpA's Marchionne seized control of Chrysler during the company's government-backed bankruptcy and put new management in place. At first blush, the decision to create a distinct Ram truck brand adds a layer of bureaucracy and cost. But it could signal more changes are afoot. "The rapid departure of Chrysler's and Dodge's top executives raises serious questions about the future of the brands," said John Wolkonowicz, an analyst with IHS Global Insight in Lexington, Mass.

Chrysler is to publicly disclose much of its product plan next month.

Meanwhile, Marchionne is importing a marketing heavyweight from Europe -- Olivier Francois -- to coordinate global marketing strategies, brand development and advertising for Chrysler and Fiat. Francois, 44, is credited with reviving Fiat's Lancia and Alfa Romeo brands in Europe, with unconventional and sometimes political marketing. That includes an emotional ad showing a crash test of a Fiat 500 minicar with a panda behind the driver's seat.

## **Dodge Ram is spun off on its own**

Chrysler Group LLC gave a vote of confidence to its pickup trucks Monday and vested sweeping authority in a European marketing executive who will lead all Chrysler and Fiat brands. Dodge Ram truck is now a separate brand from Dodge cars, leaving Dodge Caliber, Avenger, Nitro and Journey in their own marketing group. "This reorganization will allow us to protect and develop the unique nature of the product offerings within the Dodge brand," said Chrysler and Fiat CEO Sergio Marchionne. Marchionne replaced Mike Accavitti and Peter Fong, who had been named president and CEO of the Dodge and Chrysler brands, respectively, on June 10. Accavitti's old job will now be split between Fred Diaz Jr., who will be president and CEO of Dodge Ram, and Chrysler's head of product design, Ralph Gilles, who adds the positions of president and CEO of Dodge cars. Michael Manley will continue as the president and CEO, Jeep brand. Joseph Veltri joins the management team as head of product planning. Fong is replaced by Olivier Francois as president and CEO of the Chrysler brand. But Francois, whom Marchionne hired away from PSA Peugeot Citroen in 2005, will also be in charge of worldwide marketing strategies, brand development and advertising for all Chrysler and Fiat brands. The 44-year-old Francois is credited with reviving the Lancia, Alfa Romeo and Fiat

brands in Europe with some edgy advertising. In one spot, he featured Aung San Suu Kyi a Nobel Prize-winning democracy activist who spent 12 years under house arrest in Myanmar. Then after showing other Nobel Prize winners arriving in a Lancia Delta car at an important summit meeting, a second car arrives with no one in the backseat, symbolizing Suu Kyi's continuing imprisonment. The voiceover states, "Lancia supports Aung San Suu Kyi. Free now." In an ad for the Fiat 500 minicar, a panda sits in the driver's seat as the car smashes into a crash-test barrier. Air bags deploy in slow motion, buffeting the bear, but protecting it from serious injury. The audio reads: "Engineered for a lower impact on the environment. Fiat. The lowest CO<sub>2</sub> emission cars in Europe."

Chrysler plans to unveil a 5-year product plan next month that its board of directors reviewed in late September. While brands are a critical part of the plan, the departures of Accavitti and Fong less than four months after they were promoted suggest that there have been disagreements with parts of Marchionne's strategy. "There seems to be too much up in the air at the moment," said Stephanie Brinley, an industry analyst with AutoPacific Group in Troy. "One of my concerns about this merger to begin with is the different cultures, although for many Chrysler people learning to navigate through new bosses and cultures is old hat by now." The big challenge is to match brands that are viable with a product pipeline that has been starved by limited resources during Chrysler's crisis.

"A brand needs a reason why the customer will buy that product," said Dale Wilson, professor of marketing at Michigan State University's Broad College of Business. "Jeep has had that, but Chrysler and Dodge cars haven't." Through September, Chrysler sales are down 36% and incentives, such as cash-back rebates and other discounts, are up 8%, to an average of \$4,450 per vehicle. *Source: The Detroit Free Press*

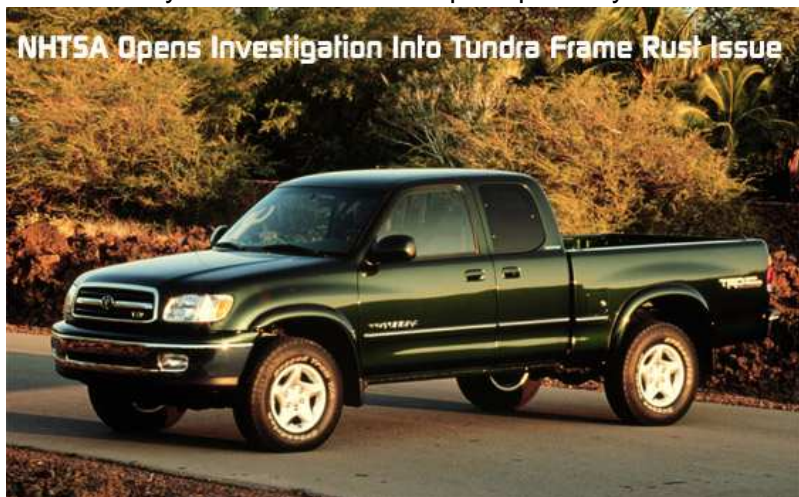
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### ***NHTSA OPENS INVESTIGATION INTO TUNDRA FRAME RUST ISSUE***

The National Highway Traffic Safety Administration has opened an investigation into reports of [frame rust and corrosion problems](#) in 2000 and 2001 Tundras similar to those that caused the Japanese auto giant to extend warranties, buy back entire trucks, or repair or replace severely rusted frames in its 1995-2000 and 2001-04 Toyota Tacoma midsize pickups last year.

The investigation is the latest quality ding against Toyota after an urgent warning to [remove driver's side floor mats](#) from 3.8 million Toyota and Lexus vehicles last week. "We're cooperating with NHTSA after learning about the investigation today," said Brian Lyons, Toyota's Safety and Quality communications manager, this afternoon.

Lyons says that NHTSA has received 20 complaints total. Approximately fifteen of the complaints relate to the spare tire



mount rusting to the point where the spare tire has dropped away from the vehicle. Five reports say owners experienced broken brake lines at the proportioning valve that's located on the driver's side of the rear frame crossmember at the upper shock mount. Pictures taken by 2000-01 Tundra owners also show flaky rust, perforated frame rails and broken leaf springs.

Toyota has been studying the issue for several months and recently agreed to replace one owner's rusted frame as part of its investigation process, though no formal repair program has been put in place, according to Toyota officials. According to Lyons, 1995-2004 Tacoma pickups and 2000-01 Tundras shared the same frame supplier: Toledo, Ohio-based Dana Holding Corporation. In investigating the Tacoma's rust complaints, Toyota discovered that Dana hadn't properly prepped Tacoma frames to resist corrosion before they were shipped to Toyota's NUMMI manufacturing plant, where the Tacoma was assembled.

Most rust-damaged Tundras have been reported in what Toyota defines as 20 severe cold-weather states, like Massachusetts, where brutal winter road conditions can take their toll on under-protected metal. 2000 was the Toyota Tundra's [inaugural model year](#). It was introduced as a replacement for the earlier Toyota T100 pickup. The first trucks were built in 1999. In 2000, 100,455 were sold, and another 108,863 were sold in 2001.

NHTSA's investigation is in the earliest stage, and the only way the agency will issue a recall is if it finds a reason for concern, though Toyota could take some kind of action before that happens. *Source:PickupTrucks.com*

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