

Automotive News

FIXING CHRYSLER

First, make the dealers happy. Then call upon a proud design heritage, make some smart alliances and take some cues from the Japanese.

by Bradford Wernle

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Soon Chrysler group CEO Tom LaSorda will be free from the shackles of quarterly sales reports, meddlesome Germans and nosy journalists.

A couple of months from now, Cerberus Capital Management is expected to complete the Chrysler acquisition - a deal that will unravel the DaimlerChrysler merger and create a privately held car company.

As long as he keeps his new bosses at Cerberus happy, LaSorda can run Chrysler as he sees fit, away from the prying eyes of the stock exchange. But what should he do to justify his new masters' confidence in him? LaSorda didn't ask us, but we'll offer our prescription anyway:

- **Make peace with dealers.** Chrysler has some of the most loyal retailers anywhere, but still suffers from terrible dealer relations. LaSorda has launched a charm offensive, but fence-mending will require a sustained effort.

"This company really needs a figurehead," says Christoph Stuermer, analyst for Global Insight in Frankfurt.

Splitsville

Cerberus will complete the acquisition of the Chrysler group in late June or early July. Here are terms of the deal.

- Cerberus pays \$7.40 billion for an 80.1% equity share of the Chrysler group and Chrysler Financial. Daimler keeps the rest.
- Tom LaSorda remains Chrysler's chief executive.
- Chrysler retains \$18 billion in retiree health care obligations. Daimler will pay \$1 billion if pension plans are canceled within 5 years.
- Chrysler is debt-free.

Lee Iacocca, where are you?

- **Find an international partner.** Yes, yes, Chrysler tried that. But a new partnership doesn't have to involve a full-scale merger.

An alliance with Chinese carmaker Chery already is in the works. Chrysler will get a new small car, perhaps the Hornet. But more friends would come in handy. Maybe Chrysler can borrow technology from companies such as Peugeot, which makes good diesel engines. Or Chrysler could line up with Fiat, a master of cool small cars.

- **Pull -- don't push.** Toyota and Honda are "pull" automakers, letting market demand dictate production schedules. Because they don't overproduce, they quickly can adjust their vehicle mix when market tastes shift.

This might sound obvious - even simple-minded - but Chrysler struggles with it. Chrysler is a "push" automaker that pressures dealers to take whatever it produces. When vehicle stocks pile up, bad things happen.

Mike Jackson, chairman of AutoNation Inc., the nation's largest dealership group, says Chrysler and other automakers should follow Toyota's example.

"Toyota is successful because it listens to customers and then gives them what they want," he says.

"Everybody benchmarks Toyota. But what they leave out is Toyota's retail muscle. It is an awesome machine."

- **Find your inner Tom Gale.** Gale, now retired, was the designer who led Chrysler's bold run of products during the 1990s. He created the revolutionary cab-forward design that distinguished the Dodge Intrepid and Chrysler Concorde.

Looking further back, Chrysler has a history of memorable products: the DeSoto Airflow, 1957 Chrysler 300C, 1970 Plymouth Roadrunner Superbird and Willys Jeep Overland. These designs led the industry.

Chrysler has some nice-looking products now, but some critics say the line as a whole looks rather piecemeal.

Chrysler bosses should all take a quick trip over to their own museum to see some of the glorious products on display. A resurrected Challenger is on the way. Why not bring back modern versions of other greats, such as the Dart, Valiant or Imperial?

- **Don't be afraid to go upscale.** Speaking of the Imperial, the flagship Chrysler brand should spread its wings and indulge the latent luxury impulse that has been suppressed under the Daimler regime. Give the green light to the Imperial - perhaps not the bulky concept shown last year at the Detroit auto show, but something that evokes the sleek glory of the tail fin days.

Company founder Walter Chrysler once said Chrysler was all about luxury at an affordable price. Chrysler brand should stake out that territory. Mercedes-Benz did not allow Chrysler to intrude upon its luxury turf. Now those constraints are gone.

Says Karl Brauer, analyst for Edmunds.com: "Chrysler needs to decide what it is. Then they can tell everyone else what it is."

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