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LOCAL COMMENT

The new prey in town? DCX

By GERALD AND SUSAN MEYERS



Big organizations die slowly. Sheer momentum carries them along until they just fade away. American corporations are no exception.

Today's Fortune 500 list bears little resemblance to the roster 50 years ago, but it took half a century for all those unfit outfits to perish. Remember Eastern Airlines, American Motors and Montgomery Ward? They're history now. And Western Union and RCA are mere shells of their former selves. But it took each one a long time either to lose their identity or check out completely.

So what explains the sudden sickening of Chrysler? Less than nine months ago, it was a robust, well-heeled, highly regarded competitor earning billions in profits. Today, the German-owned automaker subsidiary can barely hoist itself into the black. Chrysler just announced that it must take an immediate \$4-billion hit to its bottom line and says it doesn't expect to dig itself out of its trouble for three more years, even considering Daimler's deep pockets.

Observers blame Chrysler's steep decline on poor product discipline, top management departures, and lame launches. Let's be clear, Chrysler is not in the grave — not yet. But the prognosis is poor. Because quite apart from its earlier miscalculations and losses, the real threat to DaimlerChrysler's survival boils down to just one word: competition.

Automakers these days are hell-bent on improving market share, but the going has been slow. Only the Asian makers are making gains. Honda, Toyota and Hyundai have eked out minor victories with great quality and innovative products.

So Ford Motor Co. and General Motors Corp. are watching DCX on the ropes, and salivating. Chrysler owns 16 percent of the U.S. market, and its demise is a possible bonanza. Count on GM and Ford to go after as much of

Chrysler's market share as money can buy and talent will deliver. Even just a few market share points could make either U.S. automaker very happy.

Don't expect GM and Ford to play nice. They smell blood in the water. Late last year, just after it became clear that the Germans had taken over, Chrysler tried to reduce the tempting price incentives that it, along with Ford and GM, had been lavishing on car buyers for months. Chrysler hoped the competition would follow.

They didn't. To the horror of the German-American subsidiary, the price war continued. The expected show of unity never materialized. DCX had shot itself in the foot.

Next up comes a major product battle. Chrysler's offerings promise much but guarantee buyers no more than anybody else's new vehicles. The new Liberty Jeep is cute and its new full-sized trucks will be competitive. However, they will be introduced into a saturated market more than likely to deteriorate.

The new worldwide Big Three — GM, Ford and Toyota — also have defensive reasons to

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hope for DCX's decline. DaimlerChrysler and Mitsubishi have joined forces and threaten to become a new powerhouse. This combination could create a fourth global contender. DaimlerChrysler Chairman and CEO Juergen Schrempp has made some awful mistakes so far, but his strategic plan is sound, and he has worldwide ambitions.

That's why Ford and GM, given half a chance, would love to cut DaimlerChrysler to ribbons. Furthermore, they know that the time to stop DaimlerChrysler is now, while the fledgling company is wobbly, and before Schrempp can realize his ambitions.

Chrysler has entered death spirals before, but each time its rebirth was supported by a rising market. Not this time. Look out, Juergen. Your new baby could arrive stillborn.

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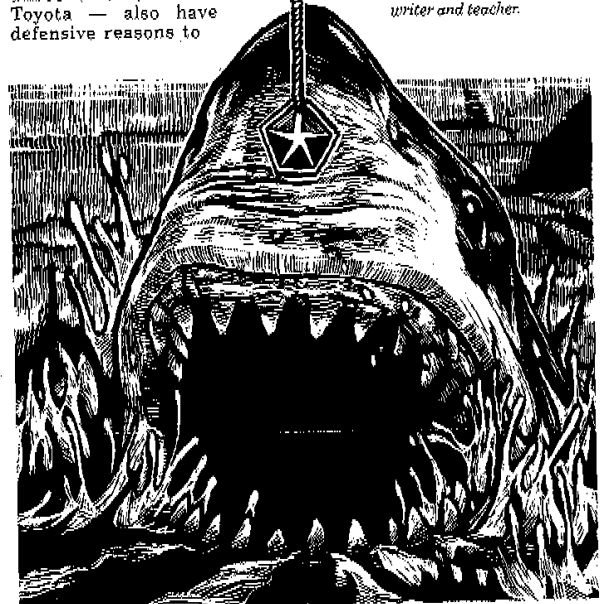


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