

FLEET COST CONTROL: MANAGEMENT'S NO. 1 CHALLENGE

Chrysler Motors Chairman Bennett Bidwell discusses fleet cost containment, vehicle selection, upcoming new models, and Chrysler's strategic decision to concentrate on its core automotive business.

FF: What are the major challenges facing companies operating business fleets today?

Bidwell: One major challenge in operating business fleets today is vehicle selection. The process of determining which vehicle is "right" for each use is dependent upon many factors, both quantitative and qualitative, including acquisition costs, maintenance costs, reliability, residual value, serviceability, lifecycle costs, image, value, safety, and quality. It's not all dollars and cents, or simple plus and minus. In addition, the proliferation of products doesn't make the decision process any easier.

Nonetheless, cost containment is perhaps the biggest challenge in fleet management today. Just about every fleet decision — who gets what vehicle for what terms, own versus lease, company versus employee ownership — ultimately has a bottom line impact on costs.

As far as Chrysler's fleet marketing efforts go, our first focus is product. We attempt to build (and we think we are succeeding) some of the most competitive vehicles available, foreign or domestic. Getting that message across to the public is what our "Advantage: Chrysler" marketing campaign is all about.

Once you're building good products, you gain the confidence to back them with comprehensive warranties — and Chrysler leads the industry with our seven-year/70,000-mile powertrain warranty and our seven-year/100,000-mile warranty against rust.

We also try to make life a bit simpler for fleet administrators. For example, Chrysler packages vehicles with fleets in mind. And, when preset packages just aren't right for a particular customer, we also offer fleets the flexibility to order popular options on a free-standing basis. We also keep fleet professionals on duty in each of our 25 field sales zone offices across the country to work out any problems that may arise and to provide information or assistance. All in all, we feel it's important to structure our operations to meet the unique requirements of each segment of the fleet market, thereby making (we hope) the average fleet administrator's job just a little bit easier.

FF: In a recent address to the automotive industry, you stated that some manufacturers, in particular, imports, are making fleet deals that you "wouldn't touch with a 10-foot pole." In this type of sales environment, what is Chrysler's

Bennett Bidwell, Chrysler Motors chairman, is a 37-year auto industry veteran and is noted for his marketing knowledge and wry humor. In the following interview, Bidwell addresses today's challenges in fleet management and Chrysler's role in the commercial fleet marketplace.

Appointed chairman of Chrysler Motors on Nov. 10, 1988, Bidwell is responsible for automotive sales, service, and operations of Chrysler Canada, Ltd. and Thrifty Rent-A-Car Systems, Inc., Chrysler Corp. subsidiaries.

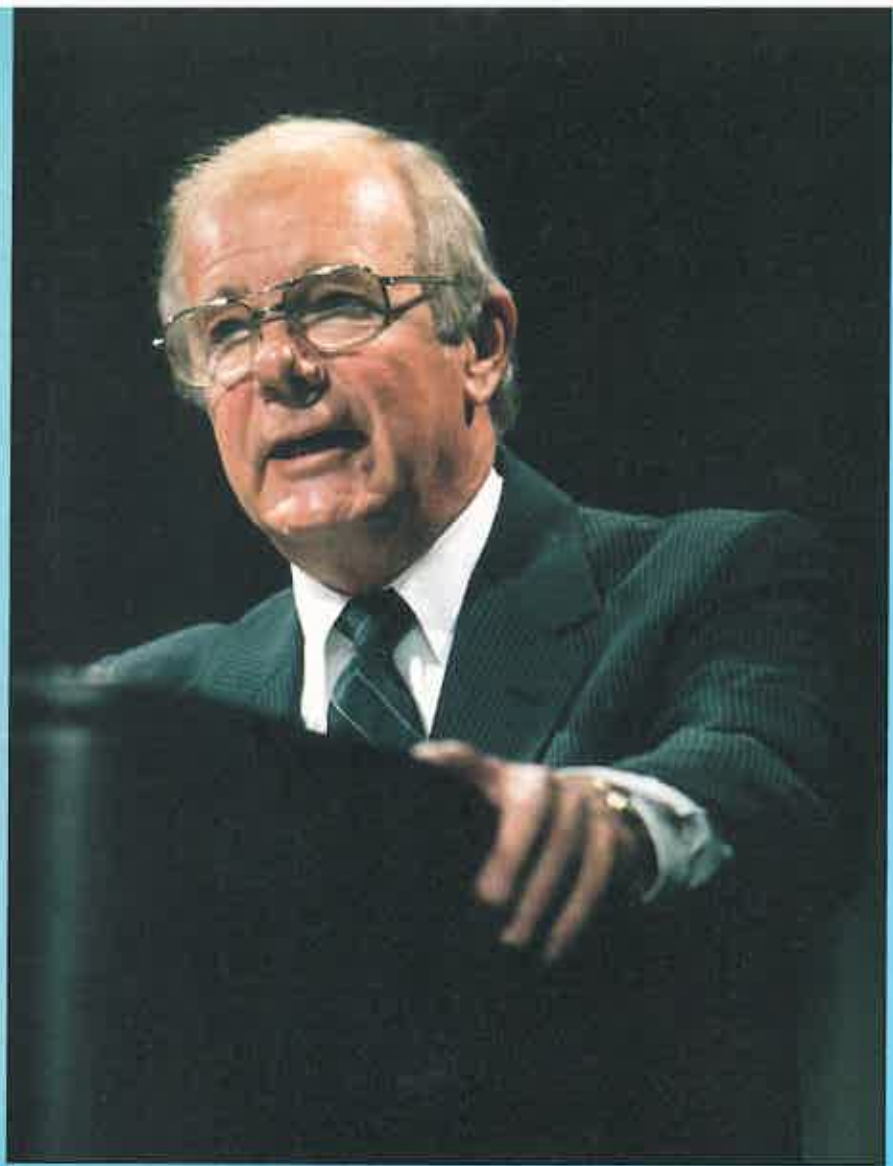
Bidwell joined Chrysler on June 2, 1983, as executive vice president, with sales and marketing and public affairs reporting to him. He was elected to the company's board of directors on July 7, 1983.

Prior to joining Chrysler, Bidwell was president and chief operating officer of The Hertz Corp. Before that, he was with Ford Motor Co. for 27 years. He became vice president of the car and truck group for Ford's North American Automotive Operations in 1978.

strategy for building market share in the fleet/leasing and daily rental marketplace?

Bidwell: Chrysler's strategy for building market share is to provide good products and good service to the customer. We're committed to the fleet business, and to having fleet programs that are as good or better than our competition. We're poised to fight hard for every bit of business available. There's only one qualifier, which is where my "10-foot pole" statement came from: it's got to be a good deal for both parties, both our fleet customers and Chrysler. We owe that much to our shareholders.

FF: It is recognized that by grouping optional equipment into packages, a manufacturer



can improve vehicle quality and reduce per-unit cost. However, option packages have been a concern to many commercial fleets, primarily because of the changing nature of package contents year-to-year and the possibility of being forced to acquire unwanted options. What has, or will, Chrysler do to try to alleviate this fleet concern?

Bidwell: Chrysler certainly takes all this into consideration when we put together our packages. With the discounts usually associated with option packages, most fleet administrators find that the packages provide them with a reasonably equipped vehicle with good value, and they use the packages with a great deal of frequency. Of course, option packages can't possibly meet the requirements

of every customer. We recognize this, and we therefore make major, high-demand options available to our fleet customers on a free-standing basis, even though that does add complexity to our manufacturing process. We feel it's worth it, however, for the customer satisfaction it generates.

FF: In recent years, Ford Motor Co. has entered the vehicle leasing business by acquiring United States Fleet Leasing and Associates Leasing. What are your thoughts on these acquisitions, and would Chrysler make a similar purchase if a favorable opportunity were to arise?

Bidwell: If a favorable opportunity arose, yes, it would be considered. But I'm not saying we're in the

market. Chrysler is very picky when it comes to acquisitions. In all cases, we have asked ourselves, is this good for *both* companies, and does the acquisition leave both parties better off than before?

I might add I really do hope the fleet industry doesn't wind up being completely owned by the car manufacturers. I don't see a need for the car companies to be competing directly with each other at every level in this particular distribution channel. Why not leave room for a little good old-fashioned entrepreneurship that has served America so well?

FF: Chrysler still maintains a 50 percent market share in the minivan market. However, the number of competitors in this market segment has increased with the introduction of General Motors' APV vans and a variety of import nameplates. What steps has Chrysler taken to ensure that it remains the dominant minivan marketer in both the fleet and retail marketplace?

Bidwell: We're taking the steps necessary to make sure there's no need for our customers to go anywhere else for their minivans. For 1991, we've given these vehicles a new, more aerodynamic design. It's a nice evolutionary step up from where we are today. Their interiors have also been enhanced and redesigned. And, for the first time ever, we'll have an all-wheel drive option available.

Our minivans are already the "gold standard" for the industry. They have the highest customer loyalty of any vehicle, including Mercedes. That's one big reason why we've sold more than two million so far. With the enhancements coming in 1991, we look to keep right on dominating that market.

FF: Can you provide us with a glimpse of promising new vehicles in Chrysler's product pipe



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line that will have a strong impact on the fleet market — in particular, the forthcoming LH sedan and all-new full-size pickup?

Bidwell: A verbal description of the vehicles you refer to do not do them justice. But I'll try. The LH sedans are being designed to compete in the heart of the fleet market. They are mid- to full-size, four-door sedans with all the features fleets look for: room, economy, practicality, good looks, and state-of-the-art engineering and features. Be patient, though — they aren't due until 1992.

As far as our new full-size pickup, it's targeted for late 1993. That's a ways off, I know. But it will be worth waiting for. We believe this truck will make a strong, strong statement in the pickup market.

FF: Clearly, Chrysler is a leader in safety innovations, equipping all U.S.-built cars with driver-side airbags as standard equipment. Can Chrysler use this safety "image" to increase fleet sales and fleet market share?

Bidwell: I would hope so. Standard airbags are something new to the market, but we look for their popularity to begin to soar. The reason is simple: Airbags save lives. That's why it's heartening to see a growing number of companies specifying airbag availability as a criterion for placement on their fleet selector list. Some companies, in fact, are specifying both airbags and anti-lock brakes. Safety, without question, is becoming a very important factor to the purchase decision of more and more companies. And

I'm proud that Chrysler is on the leading edge of this safety wave with our standard airbag program.

FF: Recently, Chrysler has changed its strategic direction by opting to concentrate on its core automobile and truck manufacturing business and divesting itself of Gulfstream Aerospace. What are the short-term and long-term implications, if any, of such a corporate redirection to your commercial fleet business?

Bidwell: Cars and trucks have always been Chrysler's bread-and-butter business, and they continue to be. Any acquisitions we have ever made were made with the intention of strengthening, or protecting, our core business. Both our long-term and short-term commitment is still to the car business, and to our automotive customers. All we've done is sharpen our focus a bit. And the only implication to our fleet customers is that we're sharpening our focus with regard to them as well.

FF: What is the role of the "fleet dealer" in Chrysler's fleet marketing strategy?

Bidwell: Our dealers are key to our total marketing strategy. For one thing, by law, every vehicle we sell, fleet or retail, is sold through our dealers. So without our dealers on board, we're nowhere. I am always surprised, however, by how few dealers are actively involved in the fleet business. We're working at getting more dealers involved, which will be a key element in improving fleet sales in the future.

I'm convinced that the car company that's best supported by its dealers in providing quality service to the customer will eventually be a winner. This applies to both fleet and retail. Our intention is for both Chrysler and its dealers to be winners. ■