

Dealers say they were led astray in Chrysler's final days

Brady Dennis

Jim Press, Chrysler's charismatic deputy chief executive, went to Capitol Hill last week and spoke solemnly about the "very difficult decision" of terminating 789 of the automaker's dealers across the country.

He assured members of a House committee that the company's executives had "taken every step to make this a soft landing for the dealers involved" and promised to help them as much as possible.

But many jilted dealers have described it more as a crash landing. After all, they still remember the Call.

It came on Thursday, Feb. 5. Thousands of Chrysler dealers across the country dialed in to hear another in a string of pitches from Press and Steven Landry, Chrysler's executive vice president.

With the passion of a street preacher, Press implored the dealers to order as many cars as possible to help the company as a deadline loomed to prove its viability to the U.S. government.

"You have two choices," Press told the group, according to reports. "You can either help us or burn us all down."

Many dealers would long remember the warning that followed to those who refused to order their whole allotment of cars: "If you decide not to do that, we've got a good memory."

"Our jaws dropped," said Alan Spitzer, who appeared before Congress on Friday and until last week owned eight Chrysler-brand franchises in Ohio. "It was clearly a threat. There was no other way to take it."

Chrysler officials dispute that view, saying executives were simply working to save the company and had no plans to go into bankruptcy at the time.

But the Call has become part symbol, part rallying cry for the hundreds of Chrysler dealers who say they have endured a litany of indignities at the hands of the struggling automaker. Referenced by dealers in numerous interviews and during Chrysler's recent bankruptcy proceedings, it offers a window into the carmaker's increasingly frantic final months, as it sought to bolster its bottom line by pressuring dealers to buy more inventory, even as their showrooms overflowed with cars they couldn't sell.

More important, it highlights how the best-laid plans of government -- a quick, "surgical" bankruptcy of an American company -- can unfold slowly and messily on the ground.

Shunned dealers have continued to air their frustrations, including during Friday's hearing on Capitol Hill alongside top executives at GM and Chrysler. In addition, Sen. Bob Corker (R-Tenn.) has introduced legislation to allow rejected dealers more time to unwind their businesses and force the carmakers to reimburse them for leftover inventory.

The dealers say that having to surrender their franchises and lay off employees has been painful enough. But many feel even deeper resentment when they survey the cars languishing on their lots, even after last-minute liquidation sales.

"It's just a feeling of betrayal," said Jonathan Darner, whose family had owned a Chrysler dealership in Mesa, Ariz., for more than 55 years until this week. They must find a place for

dozens of leftover Chryslers and Jeeps. "You'd think there would be some sense of loyalty since we've been loyal to them for so long."

Some observers see Chrysler's frenzied push to unload inventory on its dealers during the company's final months as a classic case of "channel stuffing" -- a practice in which a seller forces as much product as possible into its distribution channels, typically to boost sales and profit.

Companies from Coca-Cola to Sunbeam have been accused of the practice. It was particularly prevalent among technology companies during the dot-com boom in the late 1990s. Lynn Turner, chief accountant at the Securities and Exchange Commission from 1998 to 2001, said the practice isn't illegal as long as a company is upfront about what it is doing. But he said channel stuffing comes with its own consequences.

"It's going to leave a really sour taste in the mind of a lot of the dealers, which is never really good for business," Turner said. "That almost always seems to come back and bite you in the butt."

He added that Chrysler's behavior also "raises an interesting question if you're a retail consumer: Is this the kind of company you want to do business with?"

And yet, Turner said the dealers also bear a measure of responsibility. They could have banded together and pushed back against taking on too much inventory. Instead, many complied and ordered their allotment, putting themselves on the hook for more cars than they could sell.

Some dealers complained about Chrysler as it sought to unload extra cars in its last months.

"Chrysler is attempting to get dealers to order vehicles they don't need or be placed at a competitive disadvantage," Little Rock dealer Larry Crain wrote in a February e-mail to the Arkansas Motor Vehicle Commission. Several others also complained about an incentive program that provided discounts only if dealers ordered a certain number of cars.

"It was effectively creating a two-tier pricing program for each individual dealer," said Greg Kirkpatrick, the agency's executive director. The allocation program was pressuring dealers to order more cars to get the best prices, he said, and "their lots were stacking up with units."

Nothing came of the complaints. Within weeks of Crain's e-mail, Chrysler was headed toward bankruptcy.

These days, dealers from Connecticut to California are unloading much of the inventory that they reluctantly took on months ago. Many sold their stock at well below cost before their franchises were officially terminated last week.

Chrysler has vowed to find surviving dealerships to take the thousands of cars that remain on the lots of rejected franchises. In his testimony Friday, Press told lawmakers that "you will find out soon that all of the vehicles in the discontinued dealers have been redistributed, along with most of the parts and almost the equipment. . . . We've committed that we would redistribute every single vehicle and every part."

Carrie McElwee, a Chrysler spokeswoman, said the company redistribution effort was an act of good faith to help the terminated dealers.

"We're not leaving them with vehicle inventory unless they choose to do it on their own," she said. "If they wanted our assistance, we definitely gave them our assistance. We're pretty much guaranteeing we can find buyers for their inventory."

Some dealers say that help has yet to come. They added that the offer came with strings attached, such as a \$350 destination fee for each car.

"We're losing money, very much so," on the extra inventory, said Crain, the Arkansas dealer.

Back in Arizona, Jonathan Darner, his brothers and his parents at Darner Motor Sales are trying to figure out what a Chrysler-less future holds for them.

"It's pretty much the only business our family has known," he said. "We were selling Chryslers before I was born, before my dad was born."

For the moment, he said, they plan to sell and service used cars and hope that pays the bills.

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