

# Save Detroit— now

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With Detroit's dire financial state now publicly revealed, Jack Yan follows up his earlier paper with a discussion on how the big Three can be saved

## Executive summary

GM, Ford and Chrysler need to make use of the global market-place to source vehicles—many of which they developed for foreign markets—to give US consumers what they want immediately, while they do a proper rebrand and reinvent themselves as global organizations, not political ones founded on internal oneupmanship

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1. LL B, BCA (Hons.), MCA. CEO, Jack Yan & Associates (<http://jya.net>); Founding Publisher, Lucire (<http://lucire.com>); Director, the Medinge Group (<http://medinge.org>). Copyright ©2008 by JY&A Consulting, a division of Jack Yan & Associates. All rights reserved. No part of this work may be reproduced in any form without the written permission from the copyright holder.

It seems the \$14 billion loan that the US automakers wanted from the government has failed to get past the US Senate.<sup>2</sup> The doomsday scenario is that one of the Big Three could collapse, which sounds like the usual panicked exaggeration American media and businesses are so good at doing.

A big consideration is employment—the UAW, however, was cited by some politicians as a reason things didn't go well in the Senate<sup>3</sup>—but the other big consideration is American prestige, the idea that the Big Three represents American industry. They certainly represent American commercialism. And, in many respects, the arrogance and failure of American industry.

Essentially, the way the Big Three have gone about business for the last 40 years was unsustainable and irresponsible.

In terms of the car line, Chrysler has the weakest one—then again, looking back through history, it always had. The company isn't that tenable, despite having once been America's leanest, quickest automaker in the mid-1990s. People won't want their cars, simply because they don't have much cachet, with a few exceptions such as the minivans and Jeeps.

GM is running out of cash. But GM is probably quite well organized considering its size. It has done a lot to consolidate global platforms and form centres of excellence. Critics say it has too many brands. A paper I wrote earlier in the year<sup>4</sup> disagreed, but that was before we all heard how little cash GM had left.<sup>5</sup> If it won't sell, then I do agree some brands could go—or at least be withdrawn from the US market. (It's hard to envisage Saab disappearing from Sweden, for example, where it is strongest; just as Daewoo has remained in Korea or Holden in Australia and New Zealand.)

GM came some way in reinventing itself: Bob Lutz became a visible car guy, a product champion for its various outposts, recognizing that it was possible to globalize the company. He can only go so far, and more work needs to be done. It has actually begun doing the work that needs to be done for long-term survival and probably deserves some aid. What it really needs to show the American people is just how quickly its promises can be fulfilled.

Ford wants a credit line. That's not too bad, but Ford needs to show the American people that it isn't a company hell-bent on divisional back-stabbing. Go to any forum where Ford's European and Australian models are mentioned and Americans will be

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2. P. Tait: 'US auto bailout crashes', Reuters, <<http://www.reuters.com/article/usDollarRpt/idUSSP23660320081212>>. Sweden, meanwhile, has managed to offer a Kr 20 billion plan to provide loan guarantees. 'Sweden offers \$3-4 billion auto bailout', CNN Money, <[http://money.cnn.com/2008/12/11/autos/Sweden\\_auto.ap/?postversion=2008121108](http://money.cnn.com/2008/12/11/autos/Sweden_auto.ap/?postversion=2008121108)>.

3. D. Shepardson and G. Trowbridge: 'Rescue collapses as Senate rejects aid for auto industry', The Detroit News, <<http://www.detroitnews.com/apps/pbcs.dll/article?AID=/20081212/AUTO01/812120370/1148>>.

4. J. Yan: 'Saving Detroit, by not making the same old mistakes', The Journal of the Medinge Group, vol. 2, no. 1, 2008, <<http://medinge.org/journal/20080830/saving-detroit-by-not-making-the-same-old-mistakes/>>.

5. Another excellent article by Paul Ingrassia outlines some of GM's position. P. Ingrassia: 'The case for Chapter 11', Condé Nast Portfolio, December 2008, pp. 65–6.

there, curious why they can't get some of the best models around. Answer: Ford North America always destroys the chances of foreign-developed models, even if American money was used to create them.

The American reaction, because its industry is so focused on quarterly results, is to cut factories or staff. History has shown us, in Britain, that reducing economies makes one less competitive. That was what caused British Leyland to ultimately collapse in 2005. And as for the excuse that the Japanese do not have unionized plants in the US? Many European car makers have unionized labour, yet they aren't in the sort of trouble that the Americans are.

I didn't oppose a bailout or loans, on the condition that there was serious reorganization of the automakers. This probably takes a far grander effort than the CEOs were willing to admit. We are talking massive cultural changes and rebrandings—and not the weak sort of rebranding that Madison Avenue sometimes convinces its clients to do. We are talking Medinge Group-style rebrands.

And what of the product lines themselves?

Most Europeans will argue that the Ford Ka and Fiesta are superior to the Toyota Vitz; that the Focus—not the pensionable one sold in the US—is superior to the Corolla; that the Mondeo beats the Camry hands-down. Similar arguments would apply to GM's Opel products when compared to the Japanese.

They've never made it across the Atlantic because of Detroit's politicking: the marketing departments have had a history of scuttling their promotions. (Ford Australia has a very good rear-wheel-drive platform underpinning its Falcon, albeit smaller than the Mondeo in most key dimensions; Americans only need to look at arch-rival Holden, GM's Australian outpost, which was responsible for the full-size Pontiac G8—good-value, bang-for-the-buck motoring.)

Granted, the strength of the euro against the US dollar has been a concern for the cars made in Europe, but the simple truth is that all these cars could have been tooled up for US production years ago—reaching economies of scale.

This is not a new lesson at all. The Japanese have engineered worldwide platforms for their models. There may be sheetmetal differences, but the basic vehicles are the same globally.

Honda may sell an Accord in the US that looks different from the one in Europe and Japan, but the Japanese one is sold in the US as an Acura, and the American one is sold in Japan as the Inspire.

There's no Ford Taurus outside North America except when it is badged a Volvo; and no one would touch the American Focus, based in the 1999 model, when the compact car market has moved on so far and most of the world, excepting parts of South America, have had the second-generation Focus for years.

American automakers have ignored their consumers, again, but it was so very obvious if any of them had bothered to read websites and blogs set up to evangelize their companies.

And they ignored their own experiences, when the Japanese trounced them at their own game in the 1970s. Only their European divisions really learned anything in creating world-class rivals to Toyota, and Honda.

The Koreans are biting hard because they, too, are fielding product lines in the niches that American consumers actually want.

So let's start with some hard solutions, ignoring some basic facts about the time it takes to tool up.

Ford needs to field a regular car line. It's done OK on the niches and the trucks. So that means US sales for Ka and Fiesta, just as Alan Mulally has said. But it needs to happen ASAP.

Would the Polish-built Ka be too expensive? I doubt it, but the old-platform and recently rebodied Ka subcompact from Brazil could be a stop-gap.

The Ford Ecosport could definitely work Stateside: a subcompact SUV that's also frugal. Import now.

Focus needs to be updated now: if the Mexicans can have the newer C307, why can't more affluent Americans? Ford's excuse was that C307 would be overpriced for the US—yet the Mazda 3 gets imported there, and it is on the same platform. It's more of Ford's "not invented here" syndrome: sell crap to the Americans because the good stuff wasn't developed in Dearborn. Result: people buy a Corolla.

Fusion has had success Stateside, but it and the Mondeo need to be brought together as a single car line—which they will be.

I personally believe Taurus and Falcon occupy the same segment (even though Taurus is D-sized and Falcon is E in Ford-speak) and need to be brought on to one platform. The Americans are talking about front-wheel-drive. I think this is a mistake, for both the US and Australia.

When the economy rebounds, a rear-wheel-drive sedan at the top of the range that could form the basis of a Lincoln is going to be important; not to mention a Mustang platform.

GM, too, needs a regular car line but the trouble is all its brands.

I had advocated keeping them, if GM isn't going to go into Chapter 11 to get around paying dealers off.<sup>6</sup> And before one argues that Toyota only has three brands, bear in mind that in Japan, it has many dealer networks, which stock what appear to be overlapping lines. It's almost like having divisions. What they have done right is to make sure that the model lines have common bases and that when cars overlap in terms of size and power, that they have distinct characters. Hang on—that's exactly what American automakers have been doing.

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6. See also P. Ingrassia, *ibid.*

There's little in common between the Daewoo Gentra and the Opel Corsa. The Gentra is the inferior car. Yet that's the basis for the Chevrolet Aveo.

Aveo is doing well in the US, and GM has said its successor will share a base with the next Corsa. However, what's stopping the Corsa going to the US, maybe as an entry-level Saturn? GM needs to use the resources at its disposal.

Saturn buyers want quality, anyway, so a full line of subcompacts would work in that range—Corsas from Spain and Merivas from Brazil fit neatly into the range overnight. Let other GM dealers convert to Saturn if need be. Or brand these as Chevys.

Just because no one has sold a Meriva-class vehicle Stateside before is the very reason GM should do it. The Zafira would also work Stateside.

Move up the Chevrolet Cruze launch and bring in rebadged Daewoo Lacettis until domestic Cruze production begins. At least this car shares a platform with the Opel Astra.

Ship in Chevrolet Vectras from Brazil—these are actually Opel Astras, already selling at Saturn.

Bring in the Opel Insignia as a Buick, just as in China, and field a car that has the potential to beat the smaller Lexuses. It doesn't matter if it's priced higher than a Malibu.

If need be, let Saturn have the Insignia as well, with a different grille. This is no time to be fussy about the two cars looking too similar: it's about selling more of the cars that people want.

In fact, being cleverer about the interchangeability of panels—as the Australians have done for years—means the Commodore doesn't need to be just a Pontiac G8. Why not a Chevrolet Impala, with a diesel? It's certainly big enough and roomier than the Malibu—which the current Impala isn't. And GM has a diesel on the cards for this model. The Holden Statesman should always have been a US Chevy Caprice—the name it sells under in the Middle East. (I always thought a Commodore with a Statesman grille could have been a Buick LeSabre, but that's another story.)

Pontiac could well be trimmed to a few specialty performance lines with one of the mainstream brands pushed to dealers to fill the other niches. Saturn–Pontiac won't overlap much.

At least get the sales moving so the US plants can retool for models buyers want.

In all this, I have ignored the minivans and SUVs, but even there, there can be some consolidation.

Ford and GM have not been able to match Chrysler's minivan. It's already sold under three brands already—Chrysler, Dodge and Volkswagen—so what's stopping it being sold under a few more for its competitors?

I don't like this idea but we are talking about survival.

But again the companies are missing out on economies. Mazda's MPV could have been a good Mercury Villager, but no one saw that possibility. GM should really talk to Chrysler about the minivan and convert existing lines to passenger cars.

If the trucks are still doing all right, then they can be left for now.

Chrysler has some appalling cars like the Avenger and Sebring. Most have not captured the imaginations of US buyers other than the 300. Its former Japanese ally, Mitsubishi, isn't exactly in a good state itself. But the Mitsubishi Colt could still be a good Dodge Colt under an OEM deal. Other OEM deals with a company like Peugeot, looking for returning to the US market and the owner of what was left of Chrysler Europe, could provide American buyers with some excellent compacts and mid-sized cars immediately. A Peugeot 207 with a Dodge Omni badge? Don't laugh. I like this car more than the Toyota Vitz.

As to domestic production, it will take some time to change things, but a vehicle on the Citroën C5–Peugeot 408 platform might just work in the future.

It'll never be a big firm, but a licensing deal might be the best thing Chrysler can get in the immediate term.

If Peugeot isn't a good partner, then Volkswagen has a heck of a good operation in Brazil that once sold cars in the US. Since Chrysler already makes the Touran for Volkswagen, this is merely the arrangement going the other way. (There's also Fiat, but it wasn't that long ago they worked with GM.)

While the old Volkswagen Voyage, Amazon and Gol—sold as the Fox in the US—weren't fabulous cars, they're better than having nothing.

Volkswagen has moved on since those days with a very pleasing, if plain, Gol, that could wear a Dodge badge and slot below the Caliber. The current Volkswagen Fox and the faux off-road CrossFox could work, too. Neither are refined but it would put Chrysler into a segment that it does not fight in—and yet people want cars of that size.

Dodge already sells Hyundais in some countries.

Not all of the above will be palatable to car fans out there. I know that. But I am thinking of the US market and what people might want right now. The whole idea of globalization, the agenda advanced by these very corporations now in trouble, can be used to benefit the American consumer when it comes to the automobile market. In GM's and Ford's case, the profits from these cars are going into their own pockets anyway. They're not paying another company to make them: their own factories make them.

Chrysler will have to swallow more of its pride and buy someone else's product, but it's not exactly a new road for the smallest of the Three.

While these cars go on sale, the Big Three need to keep their eyes open, watch how cars their own companies develop in other countries fare in the US, and begin seeing their firms as proper global organizations that have so much unused intellectual capital. Insular thinking and arrogance got Detroit into this mess and the very opposite—e.g. admitting that the Germans have been developing better cars than the Americans, even under a US-owned banner—will get it out.

#### About the author

Jack Yan founded Jack Yan & Associates, JY&A Consulting's parent company, as a virtual firm in 1987. A graduate of Scots College (where he was Proxime Accessit) and Victoria University of Wellington (BCA, LLB, BCA (Hons., 1st class), MCA), Jack is regarded as an authority in the areas of branding, identity, typography and cross-media branding, speaking and writing worldwide on these topics.

He co-wrote *Beyond Branding: How the New Values of Transparency and Integrity Are Changing the World of Brands* (Kogan Page, 2004), and wrote *Typography and Branding* (Natcoll Publishing, 2005) and a limited-edition presentation book designed by Charlie Ward, View Point Series 1 of 4: *User Seductive—Perspectives on 21st Century Branding* (Wai-te-ata Press, 2004). He maintains a blog at [jackyan.com/blog](http://jackyan.com/blog).

At JY&A Consulting, Jack's focus is examining branding and global business, including how smaller firms can leverage their intellectual capital applying an international branding strategy. His master's thesis proved a connection between organizational vision and business performance through best-practice methods, which are now applied to many JY&AC clients.

He developed the Lucire brand from 1997, and took it into print in 2004—the first web site in the world to have spawned international print editions. It was the UNEP's first fashion industry partner in 2003.

He is a regular columnist for Desktop magazine in Australia, and formerly contributed to UK design titles, DZ3 and Fontzone (1998–2000). Articles about him or his work have been published in The New York Times, Elle (US and Taiwan), The Washington Post, Pioneer Press (St Paul, Minn.), Access, Design Week, Graphic Design USA, Resumé, Vogue, IdN, Professional Manager, Publish, MAP Magazine (Brisbane, Qld.) and The Sydney Morning Herald and broadcast on Saturn Television and the TV One network in New Zealand.

Jack Yan is a director of the Medinge Group think-tank of Sweden, a member of the advocacy group TypeRight (which he co-founded) and a former member of the Society of Publication Designers, the Sales and Marketing Executives, Alliance Française, and AGDA.

His interests include the application of Confucianism in the context of global harmony and business, automotive design and international cultures.

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