

# Jeep hits pothole even as Fiat counts on expanding sales

DETROIT, US: The iconic Jeep brand is the cornerstone of Fiat Chrysler's strategy to bolster its position in the global auto industry, but the brand's US sales have hit a pothole.



FCA chief Sergio Marchionne has mused about spinning off the Jeep just as he spun off Ferrari to raise additional capital, but instead, the Italian-American automaker is counting on a steady expansion of Jeep sales in the years to come.

But after a long period of steady growth, Jeep's US sales dropped 18% in May and have fallen 13% so far this year.

## Temporary setback

Todd Goyer, Jeep spokesman, said the setback is temporary.

"It is due to a deliberate reduction in fleet sales, and the transition from the previous Compass and Patriot (models) to the ramp-up of the all-new Compass," he said in an email.

In addition, he noted that "Global Jeep sales are up six percent in 2017 through May."

Even as it ramps up production at a plant in Mexico, the model changes cited by Goyer have forced FCA to halt Jeep production temporarily at plants in Belvidere, Illinois and Toledo, Ohio and the transition will not be completed until late this

year.

While sales of vehicles such as the popular Jeep Grand Cherokee remain robust, climbing 11% in May, other factors could be hobbling Jeep's expansion plans, analysts said.

"Fiat Chrysler vehicles have consistently ranked at or near the bottom of a number of product quality charts," said Michelle Krebs, an analyst with Autotrader.

## **"Unable to turn it around"**

And the company "seems unable to turn it around while competitors race ahead with improvements," she said, which could be putting the brakes on sales.

Meanwhile, the competition is increasing and putting more pressure on the brand. Just this week, Honda began building its Acura MDX, a direct competitor of the Grand Cherokee at a second plant in Ohio to keep up with demand.

Karl Brauer, executive publisher of Kelley Blue Book, noted that Jeep has "been cashing in on" the American craze for SUVs from the beginning, while other brands are still rolling out new models to take advantage of the insatiable demand.

"That makes it easier for those brands to grow while Jeep has nowhere to go but down, especially while two (Jeep) compact models are phased out while a single one comes in to replace it," Brauer said.

## **Challenging Jeep**

John Murphy, an analyst at Bank of America Merrill Lynch, noted that European carmakers Volkswagen AG, BMW and Mercedes-Benz, are introducing new luxury utility vehicles, challenging Jeep in a segment where it had been dominant.

Mike Manley, the FCA executive responsible for the Jeep brand, said in an interview earlier this year that the brand will still post a "modest" sales increase this year as it continues to expand into new markets in Asia.

In China, where sales of Jeep vehicles increased by 131% in 2016, Manley said he expects another big increase since Jeep will have three different vehicles available for Chinese customers.

Jeep will have the capacity to build 350,000 units in China and could build more as demand increases, he said.

Jeep also began building vehicles in India for the first time on 1 June 2017. The new Ranjangaon facility will build right-hand drive versions of the new Compass for the Indian market and other right-hand drive markets, the sole export facility those vehicles.

"We sold nearly one million vehicles in NAFTA last year," Manley said, but the growth outside North America continues to lift the brand's sales totals.

*Source: AFP*