



**CHRYSLER**

# U.S. Network Development

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Chrysler Group LLC 2010-14 Business Plan  
November 4, 2009

**DODGE**

**Jeep**

**CHRYSLER**



## Drivers for strengthening our network



- Best dealer in right location
- Improvement of network productivity
- Change our business model to capitalize on opportunities
- Redefine dealer operating standards and improve performance



## Historical industry dealer counts

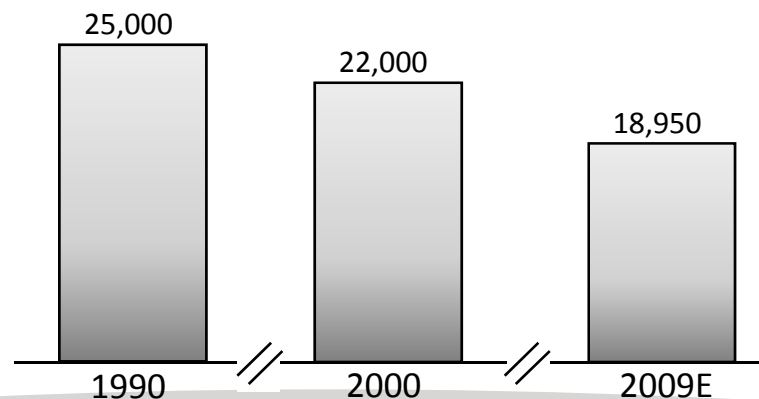


U.S. dealer counts - (Rooftops)			
	1990	2009	Change
*Chrysler	5,197	2,366	-2,831
GM	9,569	5,707	-3,862
Ford	5,429	3,252	-2,177
Honda	970	1,033	63
Toyota	1,188	1,241	53
Nissan	1,117	1,056	-61
Industry	25,000	18,950	-6,050

\* Includes consolidation of American Motors Network; Discontinuation of Plymouth & Eagle brands

- Domestic's networks are legacy of the 1940's & 1950's
- Have become misaligned with market growth
- Chrysler's dealer count has gone from 21% of total industry to 12%
- Imports' network clean sheet approach placed their network in growth markets
- Dealer rationalization for all makes has accelerated this decade
  - Structured OEM initiatives
  - Brand eliminations

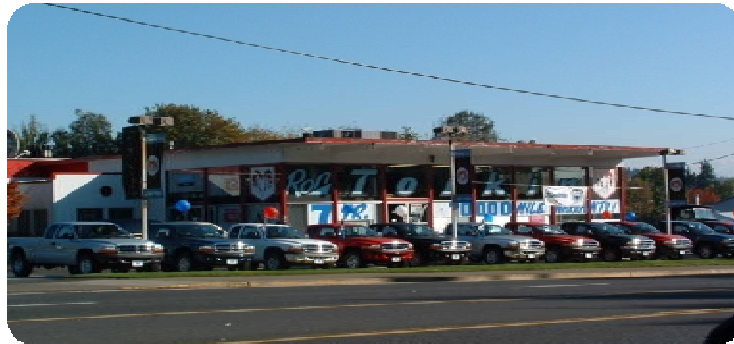
U.S. Industry - ( Rooftops )



# Rationalization of Chrysler Group network



Past representation



- Reduced share of market
- All domestics have had consolidation programs
- Chrysler network consolidation plan has been ongoing since 1991
- Project Alpha in 2001, began to consolidate all brands under one roof
- Project Genesis enforced customer focused facility standards

Future of network consolidation

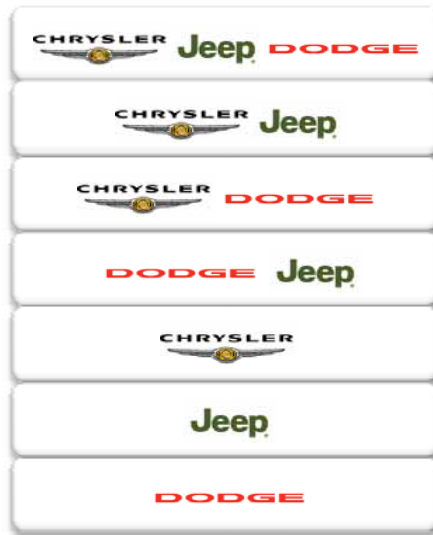


- Rejection of dealer agreements accelerated efforts to provide a strong dealer network to the new company
- Fair, equitable, and thorough process considering many factors, including
  - How many dealers can each market support?
  - Dealers performance of minimum sales responsibility?
  - What was dealer's financial capability?
  - How did dealer perform on customer satisfaction metrics?
  - Were competitive brands represented in Chrysler Group dealership?
  - Did facility meet standards and was it properly located?

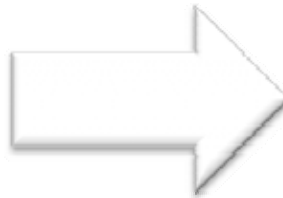
## Project Genesis continuing as planned



### Fragmented network



### *"Project Genesis"*



### Issues

- Low throughput
- Declining franchise attractiveness
- Inadequate profits
- Lack of reinvestment

### Outcome

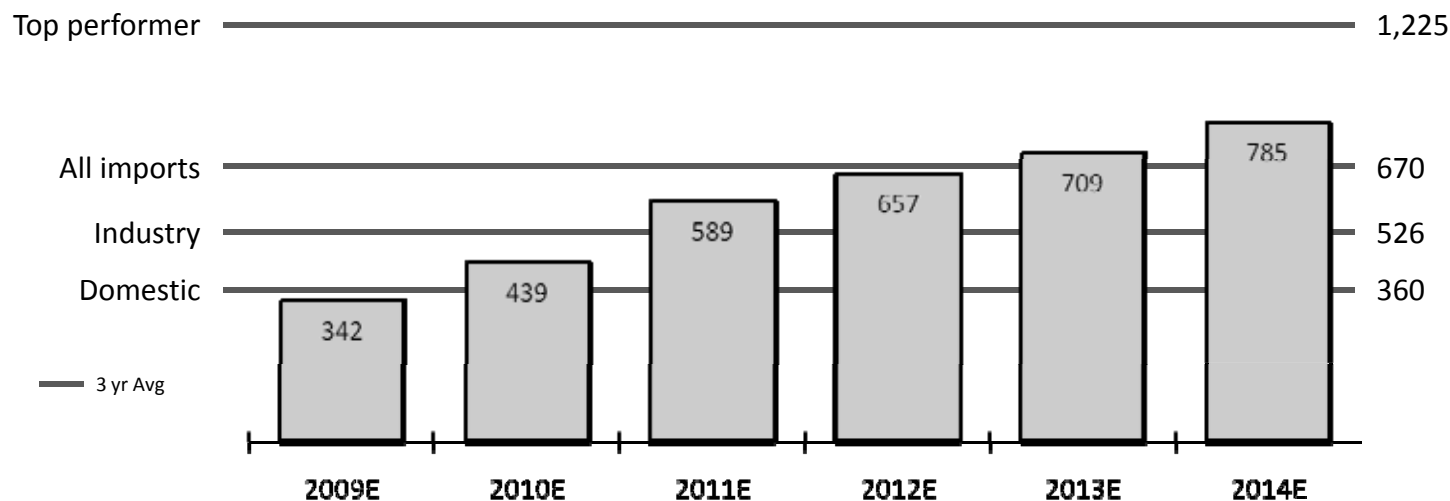
- Higher throughput
- Increased franchise attractiveness
- Enhanced profits
- Provides sound base for dealer reinvestment

***Project Genesis is 80% complete; full implementation by 2011***

## Productivity and customer convenience are key areas in our network plan

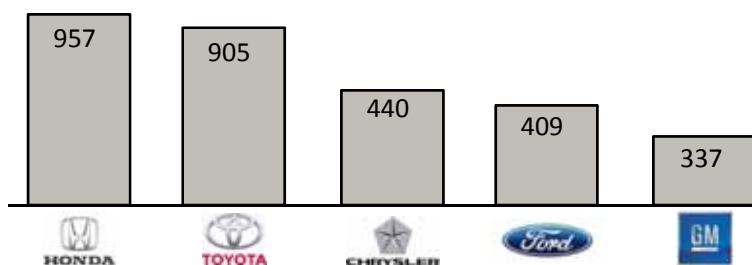


We will achieve significant growth in network throughput



We expect 50% of our volume from metro markets

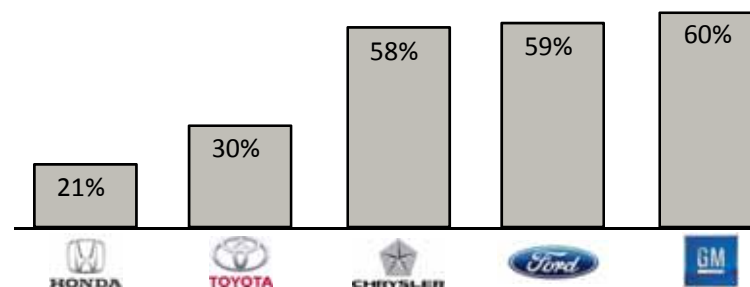
Metro market - Sales per location



Source: Urban Science ( 2007 – 2009 ) New Vehicle Sales

Maintaining a strong rural presence provides a competitive advantage in customer convenience

% of rural network



Source: Urban Science ( 2007 – 2009 ) New Vehicle Sales



### Industry challenges

- Retail financing constrained
- Fewer sources of wholesale financing
- Commercial real estate devaluations



- Our preferred lender
  - Retail financing for entire network
  - Wholesale finance for 60% of network
  - Working capital & real estate loans
- Expect Chrysler Financial transition to complete by December

Network profitability to improve over the plan

- Currently, 36% of network have a ROS greater than 1.5% (NADA average)
- We expect 60% of dealers to exceed 1.5% by 2014

# Change in our business model required



## Regional dealer



### Overcome challenges

- High land cost
- Customer convenience

## Retail service development



### Overcome challenges

- Independent shops
- Customer convenience

## Planned growth of commercial vehicle sales



### Overcome challenges

- Strong competition
- Service hours to meet business owners needs



## Green facility initiative



### Overcome challenges

- Environmentally friendly
- Cost savings



## Change in our business model required



- A North American version of Fiat 500
- Will attract a new customer to our showrooms
- Main implementation in key metro markets
- Select dealers throughout the country
- Specific interior showroom branded salons
- Customization through accessories
- Dedicated sales and management staff

## Network has shown trust in the new company



Since June 10<sup>th</sup>, dealers have committed over \$250M in capital investment...

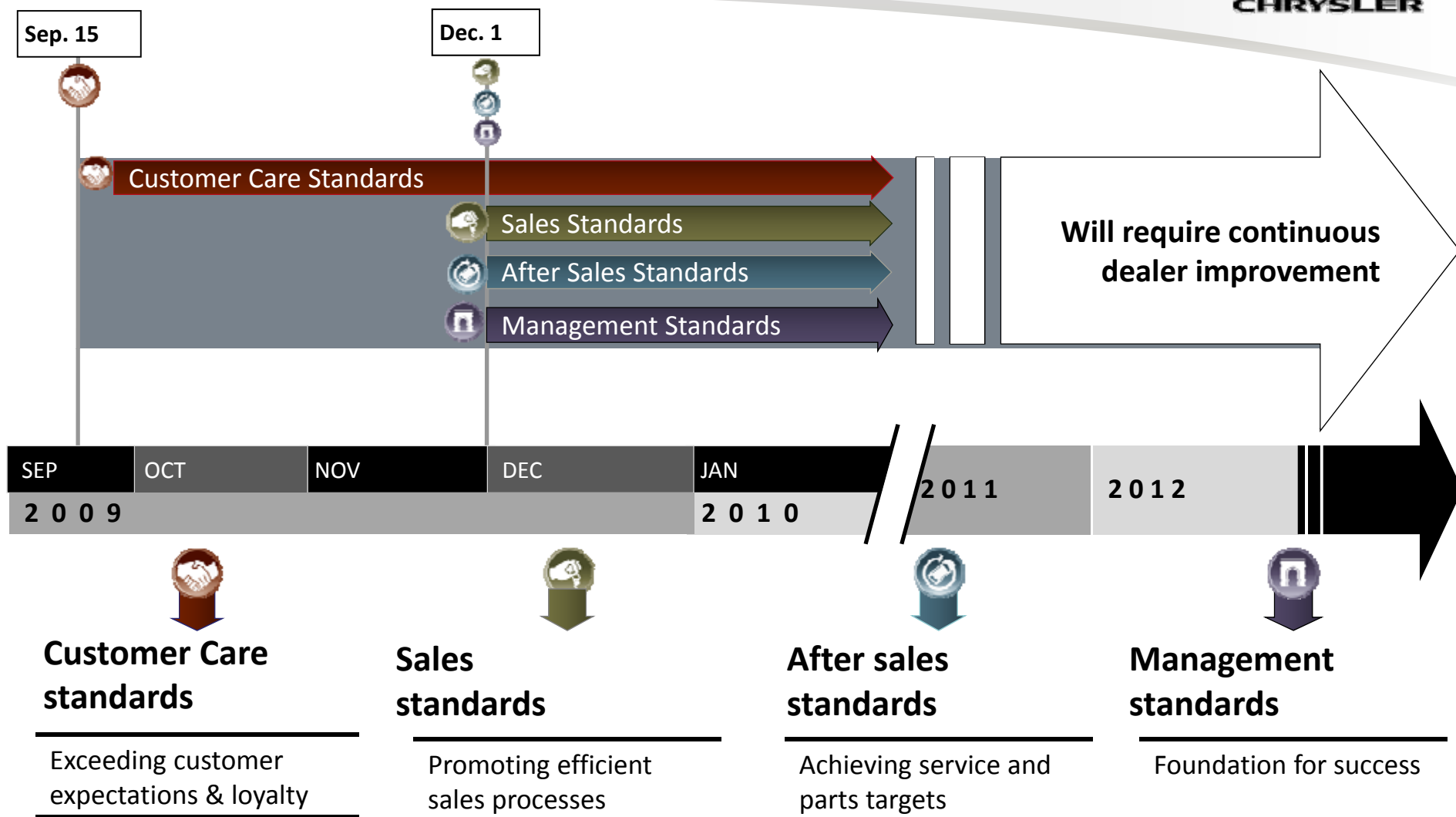
- ~20 brand new buildings
- ~200 major renovations

...results in...

- Customer convenience
- Quality market presence
- Showcase for our brands



## Rapid improvement: dealership standards



***Adherence ensured through consistent third-party validation***

## Building a strong retail channel



- Network expected to be fully consolidated by 2011
- Have begun implementation of dealer operating standards
- Dedicated team of 150 people committed to improving performance of network
  - Comprehensive training program launched to support dealer standards
  - Technical training capacity enhanced to support increase in number of technicians
  - Dealership facility renovations to ensure proper showcase for our brands
- Chrysler Group's investment in network will exceed \$500M over next five years
  - More than \$120M to be invested in 2010