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The Little Brand That Could

BY CHRISTIE SCHWEINSBERG

The past 10-15 years haven't been easy ones for Mitsubishi's U.S. dealers.

Faced with aging, uncompetitive products, an uncertain brand direction, fallout from a disastrous 0% financing scheme and the double-whammy of the recession and Mitsubishi's own economic downturn starting in 2005, when Daimler bailed on its joint venture with the Japanese





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O'Brien Mitsubishi of Normal, IL, outsells Honda, Nissan, owner Gremore says.

automaker, there wasn't a lot to be excited or hopeful about.

"You know, we didn't have any direction for a long time," says Illinois Mitsubishi dealer Ryan Gremore. "We were all over the place. There was no long-term future. We were told as dealers this product's coming, or this product's coming, and it never did... It was like playing defense instead of playing offense while the rest of the world, like Hyundai and Kia and Nissan, took market share. We just got blown away."

But now, with Mitsubishi joining the deep-pocketed Renault-Nissan Alliance, and a plan to pursue both CUVs and electrification firmly

established, things are looking up.

WardsAuto Dealer Business speaks to three Mitsubishi dealers to find out how they survived the bad times and their outlook for the future, as well as interviews new Mitsubishi Motors North America CEO Fred Diaz on his goals for taking the brand to the next level.

TOUGH TIMES

When your brand has 300-plus dealers and sells in the range of 50,000 units annually in the U.S. – as Mitsubishi did in 2009, 2010 and 2012, Wards Intelligence data shows – times are tough, to put it mildly.



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“Back in '09 and '10 we had only about 10 new units sold per outlet,” Don Swearingen, retiring executive vice president-Mitsubishi Motors North America, says at a recent media event.

Those days were especially dark for dealer Sean Kirby of Renn Kirby Mitsubishi in Frederick, MD, who in the aftermath of the recession lost his longtime Pontiac franchise after General Motors dissolved the marque in 2010. Unlike many Pontiac dealers, he wasn't dualed with GMC.

Another hardship during that time was his store's location, a downtown spot when most new-car dealers in his area had moved to suburban plots of land.

“If somebody showed up on the lot we would just really give a good presentation to show all the benefits of the Mitsubishi (vehicle they were interested in), and half of it is because I needed the cash to keep running the business,” Kirby says, noting he worked long hours and wore many hats.

Trying to get floorplan financing was difficult too, as his lender GMAC (now Ally) was leery of

lending to dealers who had too much inventory, for fear the Mitsubishi brand could go under.

“Many telephone calls (were had where they asked), ‘How many are you stocking?’ Because nobody knew the future with Mitsubishi at that point,” says Kirby, a Mitsubishi dealer since 1993 via his father.

Despite rumors of the brand's death, he says he never thought Mitsubishi would leave the U.S.

“I knew it was a good product. I keep going back to that. If you can get somebody to drive one or somebody that's had one before, they're generally very happy with the (vehicle).”

Eventually the bad times lifted, helped by Kirby's move to a former Saturn store in a high-visibility spot outside downtown and – contrary to popular belief that customers are loyal to brands or automakers – his Pontiac customers embracing Mitsubishi.

“I thought we would lose a lot of customers because they were Pontiac customers, but we had quite a few customers that just stuck with the dealership,” he



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Joe Bizzarro, owner-Interstate Mitsubishi in Erie, PA, also chairman of brand's dealer advisory board.



says. “They just bought there for years. And we put a lot of people in Mitsubishis and most of them still are (driving Mitsubishis).”

Used-car dealer Joe Bizzarro of Erie, PA, decided to take on a new-vehicle franchise when a local Mitsubishi point came up for sale.

“I always wanted to be a new-car dealer...and maybe due to the volume of sales or the struggles they were going through, that’s (maybe) why I could become a Mitsubishi dealer with no experience,” he says.

But the timing couldn’t have been worse: 2007, one year before the Great Recession began.

“By the time I got (my store) approved it was ’07 and the economy just crashed down,” Bizzarro says. “We went through some rough times. Mitsubishi went through some rough times.”

During the recession, his sales dropped to just three-to-five new vehicles per month.

But Bizzarro, now chairman of Mitsubishi’s National Dealer Advisory Board in the U.S., was heartened by the support he received from MMNA headquarters in Cypress, CA, and Mitsubishi Motors HQ in Japan.

“All the executives out of California and overseas, they never



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Ryan Gremore, co-owner of O'Brien Mitsubishi, says Ghosn "knows what he's doing."



gave up on me," he says, (even though) it was very easy to because our sales nationally dropped (a huge amount)."

At this time many Mitsubishi dealerships lost their source of floor-plan financing as lenders looked to shed the risk of the brand's single-point dealers, which Bizzarro was at the time (today he also owns a Nissan store).

As a reaction, Mitsubishi cre-

ated the now defunct Mitsubishi Motors Credit of America to provide financing so dealers could purchase inventory.

"They floor-planned dealers through them, and they did indirect lending through us, and they just kept coming out with programs, and kept pushing, and worked on their little budget they had until things just started to break (for the better)," Bizzarro says. "MMCA is the only thing that kept me in business."

Once he secured financing through Mitsubishi, he says he got creative with his marketing and then the economy improved.

Bizzarro sold about 945 new Mitsubishis last year and is looking to do 1,000 sales this year.

Illinois dealer Gremore, co-owner of O'Brien Mitsubishi, has perhaps the ideal location of any Mitsubishi dealer in the U.S.: a store in Normal, IL, the same town where Mitsubishi had a vehicle-assembly plant.

But that didn't shield his dealership from the effects of the recession.

"They were challenging years



for us, no question. It was just people weren't buying cars, (but) we were profitable. We figured out ways to be better operators and it certainly was a learning opportunity for us."

Gremore says he improved his marketing, kept leaner inventory and cut unnecessary third-party vendors and, in general, created his own market. When the economy brightened "we were still creating our own business on top of the natural traffic flow increasing. It's what took us to the next level."

Having the right people and processes helped his store achieve even greater sales than when the plant was open, as did being "community-minded," he says.

"Mitsubishi has been a huge contributor to the community, from the plant being here and from us as a dealership, being the operators and being the representatives of the brand," he says. "We were able to develop really special relationships with a lot of people in the community and they continue to buy our product."

Despite 2015 being the year the plant closed, with the usual

amount of negative media attention and disappointment among the citizenry that comes with such an event, it was O'Brien Mitsubishi's greatest year. The store sold 1,042 new vehicles in 2015 compared with 475 in 2012 and 830 last year.

"We continue to outsell all of our other brands with Mitsubishi," says Gremore, also a Hyundai, Kia, Genesis and Nissan dealer. "We outsell Honda with Mitsubishi in the community. We outsell Toyota with Mitsubishi in the community. So we outperform the biggest nameplates in the business with Mitsubishi to this day."

RENAULT-NISSAN BRINGS HOPE

All three dealers are hopeful about the future and Mitsubishi joining the Renault-Nissan Alliance.

The French-Japanese automaker has taken a controlling 34% stake in Mitsubishi and is vowing to share platforms and technology with the brand, while at the same time saying it is interested in Mitsubishi's plug-in hybrid technology.



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Carlos Ghosn, chairman of Renault-Nissan-Mitsubishi Alliance.



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“If you take the Nissan-Renault alliance and look at the volume they do, or the resources they have, (it’s inspiring),” says Maryland dealer Kirby.

Gremore, a former chairman of the Mitsubishi’s national advisory board, calls Nissan-Renault’s investment in Mitsubishi “the single-handed game-changer that’s going to catapult Mitsubishi’s brand and existence back into the U.S. market.”

He has positive words for the company’s leadership, including Renault-Nissan-Mitsubishi

Alliance Chairman Carlos Ghosn, Mitsubishi Chief Operating Officer Trevor Mann and Corporate Vice President-Global Marketing and Sales Guillaume Cartier, and the brand’s current electrification and CUV plan.

“I went to Japan this fall and... listened to Carlos Ghosn speak, and he is – he knows what he’s doing. And he knows it’s going to take time. We’re not going to do all of this in one day.”

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mental platforms that will add some business and grow this,” Gremore continues. “And over time, once we start to get our market share back and we start to get them a fair return on their investment...there’s just so much opportunity for us.”

Bizzarro admits initially he was skeptical about electrification as a pillar for Mitsubishi’s reinvention, given sales of electrified vehicles (hybrids, plug-in hybrids and battery-electric vehicles) make up just a small amount – 3.1% through February, per Wards Intelligence data – of total U.S. light-vehicle sales.

“You know I’m not a negative person, but I didn’t feel strongly about it,” the Pennsylvania dealer says. “But after researching (the vehicle) – (at) our local auto show the traffic that we had around that (Outlander) PHEV (was good) and we sold a few of them just from this weekend’s auto show.”

Kirby believes electrified vehicles will follow a similar trajectory to smartphones, saying people weren’t ready for them, but then they seemingly were everywhere

all of a sudden. “Every time I turn around (my kids are) looking (at their phones). It happened fast. So I think it’s going to be the same way with electric vehicles.”

Music to dealers’ ears is Mitsubishi’s vow to better market its vehicles. The Outlander PHEV midsize CUV and new Eclipse Cross small CUV have splashy ad campaigns, with the campaign for the Eclipse Cross marking the automaker’s biggest media spend in the U.S. in 11 years, as well as its return to airing commercials on network TV (ABC, CBS, FOX, NBC).

The return to the broadcast networks is an early benefit of joining the Renault-Nissan Alliance, which made it possible for Mitsubishi to enjoy the same attractive (read lower) ad rates as heavy advertiser Nissan gets in the U.S.

While dealers are excited about the brand’s crossover-heavy lineup (only one car, the subcompact Mirage, remains), more product is on most of their wish lists.

Some dealers, especially those in rural areas, hope the promised platform-sharing with Nissan will



spawn their most desired model, a small pickup truck.

“A pickup truck, a pickup truck, a pickup truck,” is the most oft-heard requested model at dealer meetings with automaker executives, Kirby says, adding such a vehicle “could really increase (Mitsubishi’s U.S.) volume.”

Says Gremore: “We know with what Mitsubishi technology we have – and we believe with the capabilities through Nissan platforms, or at least their U.S. production capacities – we could get a truck here. And we could compete at a high level.”

He likes the idea of Mitsubishi getting back into the small pickup sector (it retailed the Raider in the U.S., a rebadged Dodge Dakota, from 2005-2009) as the segment is less competitive than fullsize pickups.

“We know we can sell (a small pickup) today.”

Gremore believes if Mitsubishi dealers do well with CUVs, it could portend a return to the compact and midsize car segments, and maybe even the sporty and performance models the brand has

abandoned in the U.S.

“(The) 3000GT, Diamante, Gallant VR-4, Eclipse Turbo – I mean these were cars that people were standing in line to buy,” he says. “Dealers were hungry to open new franchises. These are the cars that I think Mitsubishi has the capability to build with the Alliance today.”

DIAZ TARGETS GROWTH

The early March appointment of former FCA and Nissan executive Fred Diaz as CEO of MMNA is being well-received by dealers.

“I’m in a group of Mitsubishi dealers around the country,” Kirby says. Some of us are from the (National Advisory Board) group and some of us are from my Mitsubishi 20 group. And so a lot of times we use texting (to ask), ‘What do you think of this? What do you think of that?’ So when (Diaz) was announced (there were) just a lot of ...very positive comments on that text chain.”

Kirby met Diaz and Mann at a Dallas meeting last fall and was encouraged by their focus and



THE BIG STORY

**Fred Diaz,
newly
installed CEO
of Mitsubishi
Motors North
America.**



intention of where they want to take the brand.

Gremore sees Diaz's hiring as a plus given a pickup is a top wish-list item for many Mitsubishi dealers. "He's a great asset to us with his experience with (FCA's Ram brand) as well as with Nissan, and him being the guy that really launched the (second-generation) Nissan Titan (pickup)."

In an email interview with

WardsAuto Dealer Business, Diaz doesn't address a question about a pickup, but says the health of any automotive brand is its products and he is "continuing to explore how additional vehicles can improve our U.S. business."

In addition to future product strategy, Diaz says his immediate priorities as CEO of MMNA include developing the brand's dealer network, enhancing brand value, achieving sales and profitability goals and addressing sales financing, as some dealers are unhappy with preferred lender Ally.

He believes the Mitsubishi turnaround already has started without him, pointing out that last year it was the fastest-growing non-luxury brand in the U.S., with sales up 7.7% (Jaguar Land Rover and Audi posted 8.8% and 7.8% increases, respectively, Wards Intelligence data shows).

The year 2017 also was the brand's fifth straight year of growth.

"That said, we have a long way to go," Diaz says.

Brand volume last year was 103,686. That was its first



Eclipse Cross recipient of Mitsubishi's biggest U.S. ad spend in 11 years.

100,000-plus sales year in the U.S. since 2007, but the fourth-lowest volume among automakers. Only Volvo (81,504), Porsche (55,420) and Tesla (44,085) sold fewer vehicles.

While late last year MMNA said it was targeting 140,000 deliveries by the fiscal year ending March 31, 2019, and 150,000 sales by March 31, 2020, Diaz says the automaker won't "publicly commit to a milestone by 2019 or 2020." He also doesn't comment on a report he is pulling forward by one year the 150,000-volume target.

"I can tell you we are confident our strategic roadmap will contin-

ue accelerating our current sales trajectory," he says.

Improving dealer sales per store to near industry average is a goal, Diaz says. Last year, Swearingen said achieving 30 units per store is a target.

Raising sales shouldn't be an issue, says Kirby, who was looking at hitting 60 sales in March at his store in the relatively small town of Frederick, MD, 44 miles (71 km) from Washington D.C.

Kirby says if dealers carry enough inventory and take advantage of Mitsubishi's co-op program which helps offset dealer ad costs, then raising sales is not difficult.

Diaz says he intends to work closely with dealers, calling them a key ingredient in the recipe for the "Cookbook of Mutual Partnership Success" and notes they will take part in MMNA's strategic planning and go-to-market planning. "(We want them to) have skin in the game and take pride in what we collectively accomplish."

He doesn't fully address a question on whether Mitsubishi needs more or fewer stores, or needs to



THE BIG STORY

relocate stores, as well as a question on how to prevent Nissan and Mitsubishi from cannibalizing each other in the U.S. Nissan is well-represented in the small and compact CUV segments with the Rogue, Rogue Sport and forthcoming Kicks models.

“The Alliance’s vision includes building three distinct brands, each benefiting from cost-saving synergies, technology sharing, best practices and combined resources,” he says.

Diaz appears not to take issue with Mitsubishi’s value positioning in the U.S., calling the brand’s models “reliable, capable and safe vehicles (offered) at an affordable price.”

The Outlander PHEV and Eclipse Cross CUVs have the ability to attract new buyers to the brand, as does Mitsubishi’s 5-year, 60,000-mile (97,000-km) basic warranty.

“I believe our value proposition, in conjunction with these new models, is capable of reaching a broader cross-section of consumers,” says Diaz.

For their part, dealers say the

brand will be good to those that are good to it.

“Megadealers that had more than one brand, that put Mitsubishi on the back part of the auto park and put the worst managers and the worst salespeople over there just to represent the brand, I think that’s what you got,” says Gremore, addressing a question on the brand’s reputation for attracting a low-credit customer.

Says Kirby: “A lot of dealers have it like as just another franchise. It’s almost like you have to fall in love with it. Once you fall in love with it, it’s like, all of a sudden you advertise, and get the volume up, and you really become a believer.” **WA**



This story was written by Senior Editor Christie Schweinsberg.