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Chrysler Gets an Italian Accent

by Nelson D. Schwartz

Fiat quietly ended its effort to market cars in the United States a quarter-century ago when the last of its vehicles to carry the Fiat nameplate, the 1983 Brava sedan, drove off a dealer lot. They had stylish exteriors and responsive handling, but Fiats were notoriously unreliable.

This time around, the Italian automaker is hoping to make a more favorable and lasting impression on American consumers, with much-improved, fuel-efficient cars that could roll off the assembly lines of its new partner, Chrysler, in as little as 18 months.

Fiat technology — which President Obama praised on Thursday at a news conference at the White House — will go into new Chryslers, broadening Chrysler's lineup to include small and midsize cars. At the same time, the Fiat Group will introduce a few of its own cars, including Alfa Romeos, that are available only in Europe now.

It is a remarkable turnabout for Fiat, which has ridden a wild roller coaster of successes and failures throughout its history, just as its new partner, Chrysler, has.

Fiat withdrew from the United States in the 1980s — its Alfa Romeo franchise hung on for another decade until it too gave up — after drivers nicknamed the company Fix It Again Tony because its cars seemed to spend more time at the garage than on the highway.

“The cars now are a world away from what they sold in the 1970s, or even six or seven years ago,” said Garel Rhys, head of the Center for Automotive Industry Research at Cardiff University in Wales.

Fiat was among the last of the big auto companies to join what Mr. Rhys calls “the quality revolution,” finally focusing on quality after Sergio Marchionne became chief executive in 2004.

Mr. Marchionne spearheaded the deal for Chrysler and is also exploring a bid for the European and Latin American operations of General Motors.

Now both Fiat and Alfa Romeo will return to showrooms among Chrysler's United States dealerships, but drivers who remember Fiat's boxy styles from the 1970s won't recognize today's models.

The first Fiat car to arrive will be the 500, known as the Cinquecento, an update of the Italian classic from the 1960s that has earned comparisons to the more expensive Mini Cooper and has been a big hit since its introduction in Europe two years ago.

Before that happens, the new Fiat Group offerings will have to be re-engineered to conform to United States crash-test standards.

With the 500, Fiat hopes to attract younger, urban drivers, and it plans to sell it in Chrysler dealerships on both coasts beginning in 2011, manufacturing it at Chrysler factories in Mexico. In Europe, the Fiat 500 sells for roughly 9,000 euros, or \$12,000, on average. The Mini, made by BMW, sells on average for \$25,600 in the United States.

Alfa Romeo will return with the MiTo, a compact now on sale in Europe, and the Milano, reviving a name from the 1980s and 1990s.

When Chrysler emerges from bankruptcy, Fiat will initially have a 20 percent stake in the company, as well as three seats on the new company's nine-member board.

In a statement on Thursday, Mr. Marchionne said, “We look forward to delivering on the vast potential this alliance holds and reintroducing to North American customers some of our most popular brands.”

But Fiat executives say the first priority will be building and selling the Chrysler models with Fiat technology.

“Selling Fiats won’t turn Chrysler around,” said one executive who insisted on anonymity because of Fiat company policy. “You’re going to see a new range of Chrysler cars, based on our engineering, our platforms and our engines with a shape exclusively their own.”

The midsize Chrysler Sebring, made in Sterling Heights, Mich., is among the models that Fiat engineers will redesign using technology from the Milano.

Fiat also sees opportunities in selling Chrysler’s Jeep brand in markets like Brazil, Russia and India, along with Dodge Ram trucks.

Fiat does not produce full-size S.U.V.’s or one-ton trucks, so American-made Jeeps and Dodge trucks could be a valuable addition to its product line if fuel prices remain low and global demand for bigger vehicles rebounds.

Still, the return of Fiats to the United States, as well as new Chryslers built around Fiat technology, poses a marketing challenge.

Despite praise for Fiat’s technological prowess and its fuel-efficient cars from the likes of President Obama, “nobody below 40 knows what on earth this vehicle is,” Mr. Rhys said. “It’s almost a new entry in the car market.”

Fiat officials say that’s an exaggeration, adding that Fiat opened its first showroom in New York in 1904, five years after the company was founded in Turin. It also opened an assembly plant in Poughkeepsie, N.Y., before World War I.

And CNH, its farm equipment division that sells the brands Case and New Holland, has long been a major player in the American agricultural market, with headquarters in Chicago.

The Fiat Group’s ultra-high-end sports cars, Maserati and Ferrari, are available in the United States, as well.

“It’s not like we’re arriving at Ellis Island,” said Richard Gadeselli, a Fiat spokesman. Alfa Romeo, he added, “still has a huge reservoir of brand loyalty. The U.S. has the largest number of Alfa Romeo owners’ clubs in the world.”

Then again, some older drivers may remember Fiat for its quality problems, thinking of it in the same light as other failed European offerings, like Renault’s Le Car and the Yugo.

“It’s a giant challenge,” said John Casesa of the Casesa Shapiro Group, an independent auto advisory firm in New York. “It will be very difficult to sell older, domestically oriented buyers on Fiat. They don’t buy small cars and don’t have good memories of Fiat’s last foray into the U.S.”

Even the Chrysler models with the latest Fiat technology could face skepticism, Mr. Casesa added, saying that when it comes to reliability, drivers’ perceptions can take years, even decades to evolve. He says the Pontiac Vibe made by G.M. is virtually identical to the Toyota Matrix, but lags far behind in sales, despite G.M.’s improved quality over the last 25 years.

“Fiat has a lot to overcome,” he said. “They will have to be patient to win people over.”