

SURVEY

# Parts makers' trust in automakers falls

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Trust between American automakers and their suppliers has fallen to a 10-year low in part because automakers choose cheaper parts over better-quality ones, a suppliers survey found.

Data collected from 279 suppliers from around the country between May and June indicate that **Ford Motor Co.**, **DaimlerChrysler AG's Chrysler Group** and **General Motors Corp.** are three times as likely to buy a product based solely on price, said John Henke, a marketing professor at Oakland University and president of Birmingham-based **Planning Perspectives Inc.**, which conducted the survey.

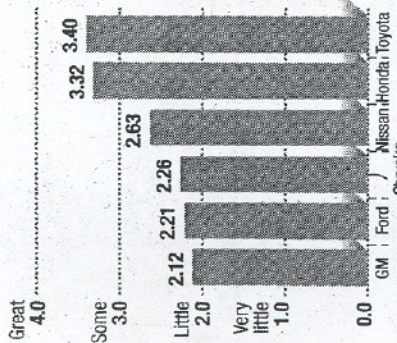
When purchases are based on price, Henke

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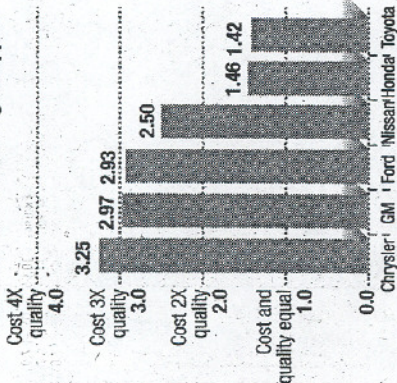
## TRUST FACTOR

A recent survey rates auto suppliers' trust toward automakers and the importance of cost and quality to automakers when they select a supplier.

► Supplier trust of automaker



► Importance of cost over quality to automaker when selecting a supplier



Associated Press, Detroit Free Press

Source: Planning Perspectives, Inc.

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said, there is no incentive for suppliers to produce better products, and automakers are thinking short-term. As a result, suppliers are less likely to trust the automakers.

Ford spokesman Paul Wood disagreed:

"We feel we are building trust and improving our relationships, which can be hard to catch in a survey."

The majority of survey respondents said Ford, Chrysler and GM hinder suppliers from doing their best. For example, all automakers make last-minute engineering changes, but Ford, Chrysler and GM make more on average than their Japanese counterparts.

Overall, surveyed suppliers have little trust in the U.S. automakers. GM was ranked the lowest with a score of 2.12 out of 4. Ford had 2.21, and Chrysler had 2.26.

The automakers scored higher during the car sales boom in the early and mid-1990s.

The survey was based on responses from top-ranking sales executives at suppliers who deal directly with the automakers. About 1,000 surveys were distributed, and the response rate was 25 percent. Respondents represented about 47 percent of the annual supply business of the six automakers in North America.

Suppliers said **Toyota Motor Corp.** and **Honda Motor Co.** can be trusted the most, followed by **Nissan Motor Co. Ltd.** Toyota had a 3.40 rating while Honda was 3.32 and Nissan 2.63.

In addition, suppliers said their

primary reason for giving price concessions to Toyota and Honda was loyalty. For Ford, GM and Chrysler, it was fear of losing business.

Renee Rashid-Merem, a GM spokeswoman said: "We are continuing to forge more collaborative relationships, and we are involving suppliers earlier in the process of vehicle development. We are yielding very good results."

Rashid-Merem cited the results of the Harbour Report released in June, naming GM the most efficient domestic automaker and its Oshawa, Ontario, car plant the most productive assembler in North America. The report is an annual report card on the auto industry.

But the report also found the domestic automakers still lag far behind Japanese competitors.

"Our findings support the Harbour Report," Henke said. "To be competitive you have to have a quality, high-end product, internal efficiency and a good relationship with your suppliers. If you don't have all three in place, you won't do as well."

Ford's Wood said company leaders have mandated a focus on supplier relationships. "We think our relationships are improving, and more importantly we think they are improving at an increasing rate," he said. "We are aware we have more to achieve. The only way we can meet quality and cost objectives is to work together."

But Henke said, automakers "have to bring about change."

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