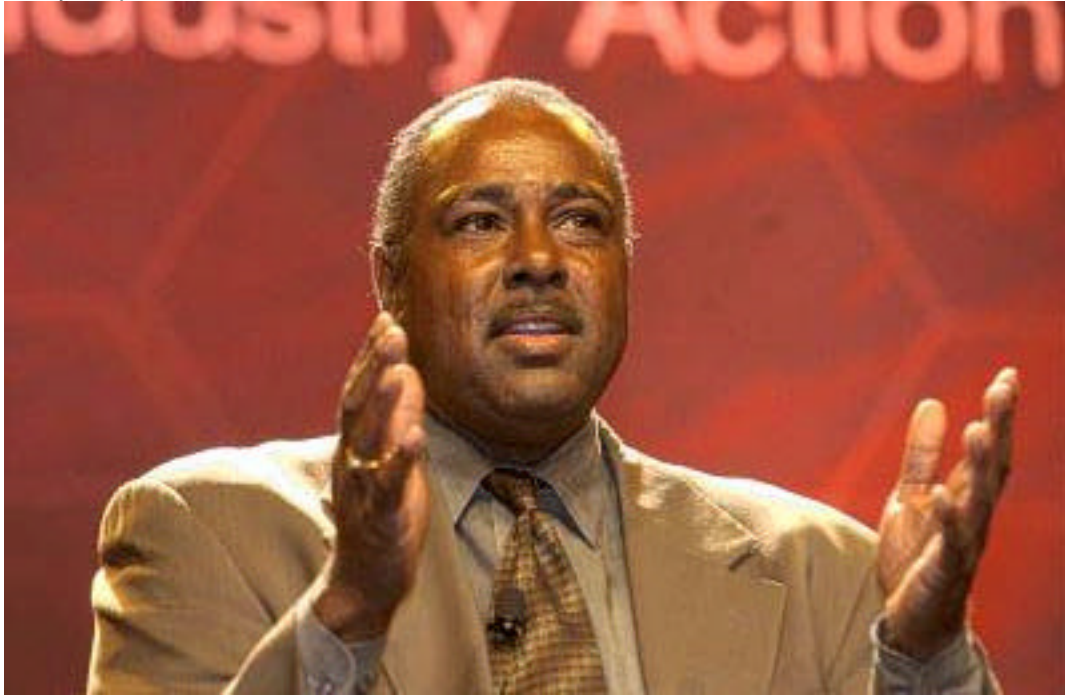


Thursday, September 2, 2004



David Coates / The Detroit News

"Some of the issues we're struggling with as automakers, you need to be struggling with because you're going to be part of this," Ford Motor Co.'s Tony Brown told suppliers.

Zetsche to suppliers: 'Adapt or die'

Chrysler CEO advises them to improve products and cut costs or risk being replaced

By Brett Clanton / The Detroit News

North American parts suppliers need to operate at a higher level if they want the U.S. auto industry to remain competitive, Chrysler CEO Dieter Zetsche warned Wednesday in a speech.

Zetsche answered recent criticism over how Detroit's Big Three automakers treat suppliers by turning attention back to suppliers, admonishing them to build better products, reduce costs and improve productivity or risk being passed up by rivals.

"It's adapt or die," Zetsche told 1,000 auto executives at the 2004 Auto Tech conference at Cobo Center in Detroit. "Time and subpar results are luxuries the North American-based auto industry can't afford. It's a matter of survival."

Top executives from [Ford Motor Co.](#) and [General Motors Corp.](#) made similar points earlier in the day, saying that tremendous cost pressures and cutthroat competition demand that suppliers rise to the challenge.

The comments come as Detroit automakers weather criticism for strong-arm tactics used to drive down the price of parts from suppliers, and for treating parts makers unfairly.

A study by Planning Perspectives Inc. of Birmingham last month found that North American supplier attitudes toward the Big Three are at an all-time low.

"All the behavior (of the Big Three) is consistent with building an adversarial, nontrusting relationship," said John Henke, the study's author. "Unfortunately, the actions of the domestics do not suggest that they're doing anything to the contrary."

Big Three executives tried to dispel that idea Wednesday.

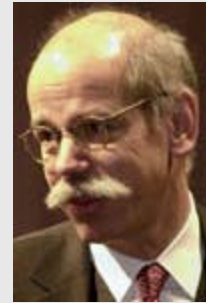
"To say it's in our mutual interest to find ways to better work together is a gross understatement," Zetsche said.

DaimlerChrysler, Ford and GM buy 80 percent of all U.S.-built auto parts and depend on U.S. suppliers for up to 70 percent of components on some vehicles.

Yet Zetsche complained that Chrysler has not always gotten the best products from suppliers.

"Collectively, we set the bar for quality and innovation too low," he said. "And we both lost."

That approach will no longer work and will only cause U.S. automakers to lose more ground to foreign rivals, Zetsche said.



Zetsche

CyberSurvey

Adapt or die

U.S. automakers say parts makers need to build better products, reduce costs and improve productivity. Suppliers say the Big Three have been forcing suppliers to make last-minute changes to parts designs and shopping a supplier's proprietary design on the open market to get a lower price. Do your sympathies lie more with the automakers or the parts suppliers?

The automakers

The suppliers

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Tony Brown, vice president of global purchasing at Ford, said suppliers may need to feel some of the pain in order to realize the gravity of the situation.

“Some of the issues we’re struggling with as automakers, you need to be struggling with because you’re going to be part of this.”

Bo Andersson, GM’s vice president of purchasing, offered a suggestion to help suppliers begin cutting costs.

“I’m not sure you’re helped by the number of sales people you have,” he said.

The Big Three are entitled to demand better from suppliers, but they also need to be reasonable in their requests, said David Andrea, vice president of business development for the Original Equipment Suppliers Association, a Troy-based industry group that represents auto suppliers.

“Without a doubt the competitive pressures on the auto industry are forcing everyone to step up to the level of innovation and to be more sophisticated in their business processes, but there needs to be a reciprocal commitment from the buyer to make it a worthy business case for both parties.”

Detroit automakers have been criticized for forcing suppliers to make last minute changes to parts designs and shopping a supplier’s proprietary design on the open market to get a lower price.

Henke said those kinds of actions are driving many U.S. suppliers to pursue more business with Japanese manufacturers, who are often praised for strong supplier relations that emphasize trust and communication, rather than price cuts. He said it is the Big Three, not their suppliers, who need to change the way they do business.

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