

THE WALL STREET JOURNAL.

Fiat Chrysler Showcases Jeep With New Models, Stand-Alone Showrooms

Auto maker reveals modern-day Grand Wagoneer as SUV market competition stiffens

By Nora Naughton
September 3, 2020

INSTRUCTIONS: What changes is Jeep making to its business-level strategy? What environmental opportunities and threats appear to have prompted this change?

Fiat Chrysler Automobiles NV is ramping up the spotlight on Jeep, asking dealers to build stand-alone showrooms and rolling out larger, more expensive models to appeal to more luxury-minded buyers, including a modern-day Grand Wagoneer.

The company's efforts come as Jeep is facing more competition than ever in the U.S.'s highly lucrative SUV market and as sales of its other mass-market brands such as Chrysler and Dodge have struggled in recent years.

Ford Motor Co. earlier this summer unveiled a new line of Bronco SUVs that its executives say will take direct aim at Jeep, which has dominated the off-road-adventure category for decades.

On Thursday, Jeep showed a new version of the Grand Wagoneer, a long-planned large SUV whose name is a throwback to the simulated wood-paneled model that became popular in the 1970s. This vehicle, which is expected to retail for more than \$100,000 when fully loaded, will be one of several big SUVs coming from Jeep in the next year as Fiat Chrysler aims to move the brand upscale.

As big pickup trucks and SUVs have made a comeback, due in part to low gasoline prices, brands like Jeep are dusting off historical nameplates, hoping to play on buyers' sense of nostalgia for once iconic vehicles.

A Jeep Wagoneer is also in the works, along with a new Grand Cherokee and another, still-unnamed, large SUV that will have three rows of seating. Jeep is also pushing to add hybrid, plug-in options to new and existing models, including the Wrangler, looking to diversify its

lineup further. “We view this as a time when we cross into a new era,” said Christian Meunier, Jeep’s global president.

For Fiat Chrysler, Jeep is among the company’s most recognizable nameplates and a big profit driver in North America. The expansion of the Jeep brand is critical for Chief Executive Mike Manley, who is trying to steer the company through a pandemic that is crushing auto-industry earnings and execute a merger with France’s PSA Group to create one of the world’s largest auto makers by sales.

Mr. Manley, who ran Jeep for years before taking the top job, has tried to move the brand upmarket and expand it globally. He has pressed to increase sales overseas, particularly in China, and add smaller Jeeps that can better meet emissions requirements in places including Europe, where SUVs are rising in popularity. In the U.S., Fiat Chrysler is constructing a \$1.6 billion factory in Detroit that will build two of the new Jeep models. That plant is scheduled to open next year.

While Jeep has had success in recent years with its latest Wrangler, it has struggled with lower-priced models such as the Renegade and Cherokee, which haven’t sold as well and are now starting to age. Jeep’s sales in the U.S. declined 5% last year to 923,920 vehicles, and the brand’s share of the SUV market slipped to 11%, a percentage point lower than 2018, according to research firm Motor Intelligence.

Michelle Krebs, an analyst at Cox Automotive, said part of the challenge ahead for Jeep is that cheaper models have targeted budget-minded buyers with lower credit scores. That consumer base is now shrinking in the pandemic-induced recession.

“They’ve got to get different kinds of customers at the high end,” Ms. Krebs said. With more buyers flocking to SUVs, particularly as the virus prompts more Americans to leave cities and avoid air travel, the bigger Jeeps could be arriving at an optimal time, she added.

Still, they will confront stiff competition. The SUV market has grown far more crowded over the years as Asian and German car makers have expanded into bigger offerings. Ford and General Motors Co. have updated their big people-haulers in the past few years, hoping to tap this highly profitable part of the U.S. car business as more buyers move away from cheaper small cars and sedans.

Fiat Chrysler is hoping to help the brand stand out by intensifying efforts to build more Jeep-only showrooms. These showrooms, which aim to separate Jeep from the more mainstream vehicles offered by Chrysler, Dodge and Ram, have specialized staff and displays of the latest Jeep accessories and apparel.

Jeep now has 59 stand-alone showrooms in the U.S. and is planning a few hundred more in the coming years, mostly in larger metro areas, a company spokesman said. Dealers say the larger Jeep models are long overdue, in part because the lineup now lacks the types of family-oriented vehicles offered by Ford and GM. That has resulted in customers’ abandoning Jeep when they need to size up, the dealers say.

“The younger buyers love the Wrangler, but what happens as they get older and have kids?” said Doug Moreland, who recently built a stand-alone Jeep store in Fort Collins, Colo. The Grand Wagoneer, which Fiat Chrysler showed as a concept Thursday, doesn’t have the same faux wood paneling made popular by the older models but instead features a more subtle teak trim in the roof rails and headlights.

Inside, the new model has multiple multimedia displays, including one embedded in the dashboard on the passenger side and others in the second row. The concept shown was a plug-in hybrid, an option that Jeeps said it is making available on all its future models. Jeep will release the Grand Wagoneer and Wagoneer as part a sub-brand that the company hopes will distinguish these two models as more premium options, Mr. Meunier said. The Wagoneer, which Fiat Chrysler has yet to reveal, is expected to start at around \$60,000, he said. The company will start building both models early next year.

END