Historical Context

- Subsidiary of DaimlerChrysler
- Began in Germany
- MBUSA created for the purpose of constructing an assembly plant in Vance, Alabama.
- Entered SUV market to expand its demographic base
- SUV industry has grown because of strong economy and low gas prices.
- Prestige due to quality of German car manufacturing has added to their success in the U.S.
- U.S. holds the highest market for SUVs.
- By manufacturing in Alabama, Mercedes is able to reduce costs to customers.
- SUV market in 1997 grew by 14% in 1997 and it was estimated that 1 in 3 new cars purchased in 1998 would be an SUV.
- Increases in unemployment, interest rates, inflation and oil costs could reduce demand for SUVs.
JARGON:
- MBUS I (Mercedes-Benz U.S. Int'l)
- DCAG (Daimler-Chrysler A.G.)
- DBAG (Daimler-Benz A.G.)
- SUV (Sport Utility Vehicle)
- LEV (Low Emissions Vehicle)
- JIT (Just-in-Time)
- SMM (Standards, Methods, Procedures)
- MRP (Material Requirement Planning)
- ERP (Enterprise Resource Planning)
- CAD (Computer-Aided Design)
- WAN/LAN (Wide/Local Area Network)
- QS, ISO (Quality Standards)
BASIC CONCEPT

1. Target Customers of SUV
   - under 40 years old
   - upper-middle class

2. Environmental Regulation Compliance & Safety Laws

3. Demand Affected by:
   - oil prices \( \Rightarrow \)
   - unemployment rates
   - interest rates/inflation
   - luxury car—highly affected by external environment

4. Well-Organized Supply Chain Process
   - important relationships with supplier
   - communication is key
   - efficient
Business Processes

1) Assembly
   - Body
   - Paint
   - Assembly
   - Shipping

2) Supply Chain Mgt

3) Other
   - Procurement
     - Info Mgt
   - HR
   - Quality Mgt
   - Facilities
   - Environment Mgt
Step 5: External Factors

a) Economic conditions
   - oil prices
   - exchange rates
   - unemployment rates
   - interest rates
   - inflation
   - unionization

b) Technological innovations
   - supply chain
   - JIT
   - IBM Global Services - ERP
   - facility automation
   - environmental initiatives

c) Competitors
   - cannot gain major market share bloc of the many competitors
   - Lexus RX300 - SUV/4x4
6. trends and patterns

- SUV is replacing minivan as "family car"
- Mercedes is high quality, could be used to show status
- premium competitors in SUV market
- previous options are now included (ex. leather seats)
  
  Respects and exceeds environmental and U.S. laws

- USA has 70% of SUV market
  not used as a "truck"

- Consumers prefer more comfort, safety, and gas mileage

- Domestic plants (Vance, Alabama)
JIT mgt is like TIMING OFFENSE in football; if QB + receiver are in sync (i.e. Mercedes + Suppliers), things are great. If not, bad things happen.
Mentors:

- Dealers
- Suppliers
- State Officials
- NAFTA people
- MBUSI executive
- Senior Manager - MBUSI
- Auditor previously on automotive engagement
- U.S. Execs. who have worked on U.S. & Japanese autos in the U.S.
- Plant manager