

EM9811: The Globe and Mail, May 16, 1998, pages A1, A7

Recall bugs the Beetle

Hot new Volkswagen may get hot wires too

BY GREG KEENAN
Auto Industry Reporter

The new Bug has a bug.

The reborn Volkswagen Beetle, which has taken the North American car-buying public by storm since it arrived back on dealers' lots in March, was recalled yesterday because some wires in the engine compartment might chafe and cause a fire.

Volkswagen of America Inc. said all 1,600 of the new Beetles on the road in Canada and 8,500 sold in the United States since March are being recalled voluntarily to have the problem fixed. The wires and the battery tray that the wires might rub on will be replaced free of charge.

"From a marketing standpoint, you don't want this kind of stuff going on, said Chris Travell, director of automotive research for the consulting firm Maritz Canada Inc. "They've done such a masterful job at launching the product."

The recall is the first speed bump the new Beetle has hit since it went on sale amid a barrage of media hype earlier this year.

Dealers have been sold out and are taking orders for delivery in six months. Drivers of the retro Bug have been swarmed on streets across North America and some people who have bought Beetles are reselling

them to others at a higher price because of the high demand.

Volkswagen acknowledged this secondary market yesterday in the news release announcing the recall, urging new Beetle owners who have purchased their cars from non-Volkswagen dealerships to phone a toll-free number or contact a nearby Volkswagen dealer.

The new Beetle, which starts at a little less than \$20,000 in Canada, was generating the kind of publicity that makes auto makers' sales executives drool – until yesterday.

The recall came just days after the U.S. Insurance Institute for Highway Safety gave the car its highest crashtest rating.

Mr. Travell said Volkswagen executives are probably studying Daimler-Benz AG and how its Mercedes-Benz unit responded to a much more serious crisis last year after its new small cars rolled over when Swedish journalists put them through tests designed to avoid elk or moose.

Mercedes delayed the introduction of the cars and installed a new stabilization system and has avoided major damage.

Industry analysts said Volkswagen will suffer little damage – if any – because car buyers have become accustomed to recalls, even for new vehicles.

"It will not cause even a ripple," said Chris Cedergren, managing director of Nextrend Inc., an automotive consulting firm based in Thousand Oaks, Calif.

"I'll even bet everything I've got that sales will continue to grow on this thing," Mr. Cedergren said.

Roger More, a professor of marketing at the University of Western Ontario, agreed. "It's embarrassing, for sure, but they'll fix it," Prof. More said yesterday. "The technological resources this company brings to bear are formidable." The fact the recall is prompt and voluntary should help, as well, he said.

The Beetle has been in hibernation since 1979, when Volkswagen stopped selling it in North America after an immensely successful run in the 1960s and 1970s.

It brought the car back in part to restore its name and image in North America, where Volkswagen sales dwindled in the 1980s and 1990s.

So far, the retro Bug has worked.

Clarkdale Motors Ltd. in Vancouver, for example, has already delivered 40 new Beetles and has a six-month order backlog, sales manager Rick Applegath said yesterday. He expects to sell about 200 by the end of the year.

The toll-free telephone numbers for information about the recall is 1-877-4-BEETLE.

The article EM9811 reprinted above is used in Figure 11.5c on the STAT 221 Course Materials.