

GM hosts biggest customers at Valley resort

by Max Jarman and Sharon Carty - May. 6, 2009 06:41 PM

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General Motors Corp. is wining and dining its biggest customers at the Sheraton Wild Horse Pass Resort this week as its executives in Detroit work to keep the company out of bankruptcy court.

More than 500 of GM's largest fleet and commercial customers, from Shell Oil to the Church of Jesus Christ of Latter-day Saints, have been flown to Phoenix at the company's expense to preview the 2010 lineup of GM cars and trucks.

The company trucked in more than 150 vehicles for customers to test-drive on a special track that meandered through the resort's desert setting on the Gila River Indian Reservation.

Besides the test drives, guests were treated to two nights of food and lodging at the posh resort and spa, where the average room goes for \$300 per night. GM said it booked the rooms more than a year ago and paid less than \$250.

General Motors spokesman Terry Rhadigan declined to give the cost of the 2010 Fleet

& Commercial Product Preview, which runs through today. He said the price tag was significantly less than last year, when it was held at the Red Rock Casino Resort in Las Vegas.

That means no free golf or joy riding at the nearby Bondurant School of High Performance Driving race track. Attendees dined on barbecued chicken and beans and found the traditionally well-stocked hospitality suite closed.

"They took out all of the fun stuff," said Jim Corazza of Fairway Chevrolet in Hazelton, Pa.

"It's way scaled back," added Paul Rosa of Penske Truck Leasing.

Such events hosted by companies that have taken government bailout money have in the past enraged taxpayers and members of Congress. But Rhadigan said this event, aimed at key customers, is critical to the company's survival.

In October, insurer AIG inflamed the public when it treated executives to a \$440,000 getaway at the St. Regis Resort near Laguna Beach, Calif.

Helio Fred Garcia, a professor of crisis communications at New York University, said GM's fleet meeting isn't the same

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as AIG's public relations mess.

"This is not for its employees, but for people who buy lots and lots of cars," Garcia said.

General Motors is living on a \$15.4 billion loan from the U.S. government while it tries to hammer out a financial reorganization plan before a June 1 deadline.

Rhadigan said company is conscious that is spending taxpayer funds to host the scaled-back event this year. While GM has been striving to reduce its dependence on lower-margin fleet sales, they remain about 25 percent of the company's business. GM sold 866,000 vehicles to customers like that last year, and says this week's event was intended to reach out to them and make sure they don't jump to competitors such Ford or Toyota.

"These are our biggest customers, and they could buy from anyone," Rhadigan said.

Garcia added, "If GM is going to survive . . . it has to maintain sales in a competitive marketplace."

However, he said he may have looked for another way to interact with its customers that would draw less attention.

Tom Donaldson, a professor at the Wharton Business School at the University of Pennsylvania, said companies accepting government aid should keep a low profile.

"These automakers are so much in the limelight that even legitimate functions that help sales . . . are almost out of bounds from the public standpoint," he said.

Rhadigan said the company considered canceling the event but felt given the company's situation it was important to go through with it.

Vince Nelson with used-car valuator Kelly Blue Book said he was impressed by the improved quality of the 2010 models, but also is concerned.

"I'm sure they will survive, but what happens to them in the next 30 days definitely will have an impact on my business," he said.

Rosa and Marc Althen of Penske said they felt more confident about GM's chances for survival after the event.

"Everybody should be concerned, but I'm confident they will come through this," Althen said.

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