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[SUMMARY] Tough Times Continue for Bridgestone/Firestone

(Written by Koichi Sakai, New York Bureau Chief)

On November 1, Bridgestone/Firestone (BFS) CEO John T. Lampe attended the annual meeting of tire dealers in Las Vegas. After what the company has been through over the past several months, he was greatly relieved to gain the attendance of approximately one-third of the 13,000 dealers that sell BFS tires in the U.S.

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It was in 1988 that Bridgestone acquired the ailing Firestone. Bridgestone spent over ten years to transform it into a blue-chip company with sales of over US\$7.5 billion and pre-tax profit of US\$300 million. Although people at one time praised BFS as the only successful case of a Japanese company acquiring a U.S. company, recent reports on how poorly the company has been addressing its tire problem has compromised such reputation completely.

In order to restore BFS, Bridgestone President Yoichiro Kaizaki appointed Lampe as CEO, in place of Masatoshi Ono who he had sent from his company. As the first American ever to lead BFS, Lampe has already renovated the company organization and is working with Vice Chairman Isao Togashi and other Japanese executives to regain consumer trust. The two key management strategies that Lampe has hammered out to this end are to rebuild the Firestone brand that was damaged by tire recall and to enhance product quality by analyzing the root cause of the tire problem.

Whether BFS can be re-established successfully will depend largely on the sale of replacement tires for passenger vehicles. Despite such strong rivals as Michelin and Goodyear Tire & Rubber, BFS boasts 20% share of this market. According to a UBS Warburg analyst, the company's strength in this arena owes to the strong confidence that exists between the maker and the dealers. And what made this possible is the investment strategy that Senior Vice President Shuichi Ishibashi and Vice President John Gamov have been promoting.

The established theory, as far as sale of tires is concerned, is that 70% of the consumers will buy tires according to the clerk's recommendation. With this in mind, Ishibashi has been working hard to establish closer relationships with 15,000 BFS-affiliate tire dealers so that their clerks would recommend BFS tires. Gamov, on the other hand, has been making a tour of independent tire dealers to support their sales activities both physically and mentally. And it meant a lot to the tire dealers when, at the aforementioned November meeting in Las Vegas, Ishibashi and Gamov asserted that customer confidence could be regained.

On the quality management side, reform is being promoted under Vice Chairman Togashi's leadership. The goal is to achieve product quality equal to that of Bridgestone, as Bridgestone President Kaizaki has a suspicion that BFS plants may not have been so good as Bridgestone plants. Lampe, on the other hand, says that he will have the production process of BFS plants reviewed and, to this end, several Japanese executives have been sent to BFS from Bridgestone.

What the customers really wish to know, however, is why the tire problem happened in the first place. Unless this answer is given, they will not feel comfortable about buying BFS tires again. And it won't be easy for Lampe to lead his company to giving a satisfactory answer, because he is not on the board of Bridgestone although he is CEO of BFS and Togashi, who works for Lampe at BFS, is in fact a member of the Bridgestone Board. In addition, there is also the problem of communication due to language barrier. Lampe, nonetheless, shows confidence over reconstruction of BFS.

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Reconstruction of Bridgestone/Firestone will also depend on the turnout of over 180 lawsuits being filed against the company. And the people who are suing BFS are feeling despair, not being told what caused the accident and the poor manner with which BFS has been handling their cases.

Kathy Taylor in Dallas, Texas is one of such people. She lost her daughter in 1998 in an accident that happened while driving a Ford Explorer wearing BFS tires. She had had her car checked regularly and replaced the tires shortly before the accident. Knowing that the accident was caused by tread separation, she filed a lawsuit against Ford and BFS in March 1999.

Kathy's sorrow turned to rage when BFS announced its recall of tires in August 2000. She was angered by the fact that BFS neglected to tell American citizens that the company had been recalling its tires in Saudi Arabia and Venezuela since 1999. She was also angered by the fact that BFS did nothing against the 1,000 tire-related complaints that it received in the 1990's. And most of all, she was shocked by the fact that it was only after the tire problem became a national topic that she came to know about the 1996 accident in Houston, Texas that killed a journalist who was driving his Ford Explorer.

Bereaved families and consumers want to know why BFS never spoke out about the tire problem. And because BFS continues to fail to explain this point at public hearings and press conferences, people's anger has been mounting. Although comments and remarks made by the top executives of BFS seem to point that they thought the tires weren't as dangerous as something that required a warning to the customers, this presents a suspicion because BFS is known to have received numbers of letters describing a tire problem. Some of them are too long to be written into a BFS-designated form, while others come with pictures and illustrations. Nonetheless, not only BFS but also Bridgestone insist that no signs of trouble were reported until May 2000.

BFS is not the only defendant of lawsuits involving the tire problem and there are at least two cases that include the name of Bridgestone. This number may increase as people start to realize the limits of what BFS could pay to compensate the victims. Without disclosure of information about why there were delays in alarming the users as well as in taking countermeasures, in addition to the root cause of the tire problem, all the lawsuits being filed against BFS and Bridgestone will certainly not turn out in their favor.