has been reduced in recent years as a result of the successful introduction of new models, including the Fiat Tipo. Sales of the Fiat Tipo increased from 266,000 in 1988 (the first year of sales) to 410,000 units in 1989. In 1989, 1988 and 1987, the Fiat Uno represented 18.4%, 20.8% and 30.1%, respectively, of automobile net sales and revenues.

Fiat's marketing strategy is to maintain a strong position in the supermini and utility classes, to expand its market share outside Italy in the executive class, to develop new models in the two medium classes and to penetrate niche segments with specific vehicles in certain classes. This strategy is based on market analyses indicating that a high proportion of European demand is for replacement cars involving an upgrade into a higher segment and for a second family car, generally in the utility or lower medium segment. Fiat has sought to implement this strategy by marketing the lower medium class Fiat Tipo and by expanding its presence in the lower medium segment with the introduction of the Nuova Alfa 33 in early 1990 and, in the upper medium segment, with the launching of the Lancia Dedra in late 1989 and the Fiat Tempra in early 1990.

The automobile industry worldwide is highly competitive, and companies compete in the European market primarily by attempting to provide high quality products at attractive prices. The automation of production processes and the standardization of components are significant factors in this competitive environment because they help reduce costs, improve quality and reliability and, perhaps most important, enhance the ability of a manufacturer to respond rapidly to changes in demand. A strong distribution network with effective servicing and repair facilities is also an important competitive element.

Although demand in Europe has increased in recent years, the European automotive industry is currently confronted with major competitive challenges and the risk of a greatly enhanced Japanese presence in Europe. In 1989, Fiat management, in an effort to prepare for this presence and the potential increase in competition in the European markets implemented a "total quality program", a Group-wide effort aimed at concentrating on customers' needs, responding more quickly to market demand and involving each sector's resources in improved production. For a discussion of the potential impact of the planned economic integration of the European Economic Community after 1992 on the Fiat Group's position in the European automobile market, see "Operating Environment—'Europe 1992'" below.

The following table sets forth for the years indicated the market shares of the Fiat Group and its major competitors in the automobile market indicated.

	Italy			Germany			France			United Kingdom			Total Europe		
	1989	1988	1987	1989	1988	1987	1989	1988	1987	1989	1988	1987	1989	1988	1987
Fiat Group	57.2%	59.9%	59.7%	4.8%	4.7%	4.6%	7.3%	7.3%	7.2%	3.4%	3.7%	3.7%	14.9%	14.9%	14.3%
VW Group	12.3	11.7	11.5	28.0	29.1	29.9	9.1	8.5	7.6	6.0	5.9	5.9	14.8	14.7	14.9
Peugeot	7.7	7.7	7.5	3.7	3.9	4.3	32.7	34.1	33.3	8.9	8.7	7.3	12.7	12.9	12.2
Ford	4.8	3.6	4.0	9.9	10.0	10.3	7.0	6.4	6.8	26.3	26.2	28.7	11.6	11.2	11.9
GM	3.9	3.3	2.9	16.7	15.7	15.9	5.1	4.8	4.6	15.1	13.6	13.4	11.1	10.5	10.6
Renault	7.1	7.1	7.9	3.3	2.7	2.9	28.8	28.6	30.1	3.8	3.8	3.9	10.3	10.1	10.5
Japanese	1.5	1.1	0.8	14.8	14.9	14.9	3.1	3.2	3.2	11.4	11.5	11.3	10.8	11.2	11.4
Others	5.5	5.6	5.7	18.8	19.0	17.2	6.9	7.1	7.2	25.1	26.6	25.8	13.8	14.5	14.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Derived from a variety of official and non-official sources believed to be reliable, including the following public agencies in the indicated countries: Italy—Anfia (Associazione Nazionale Fra Industrie Automobilistiche), Brazil—Associacao Nacional dos Fabricantes de Veiculos Automotores, France—Chambre Syndicale, Germany—Krafter Bundesamt, Spain—General Traffic Department, and the United Kingdom—Society of Motor Manufacturers and Traders.

In 1989, the Group maintained its leading European automobile market share at 14.9%. The Group's Italian market share declined from 59.9% to 57.2% principally as a result of reduced sales of the discontinued Lancia Prisma and Fiat Regata in the upper medium segment. The replacement models for this segment, the Lancia Dedra and Fiat Tempra, were not launched until late 1989 and early 1990, respectively. In addition, the sector experienced certain constraints on production capacity which also adversely affected market share.