Volvo looks to travel a similar road to Jaguar

By Mark Smyth

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Since the Tata Group bought Jaguar Land Rover (JLR) from Ford, JLR has been thriving. Expectations that Tata would sit in the front seat and drive the business were dispelled when the company quickly turned itself around and stood on its own.

Image source: Wikipedia.org

This is as true globally as it is in SA, where JLR sold more than 7,200 units last year.

Volvo is looking to replicate JLR's success around the world. The company was sold to Chinese car maker Geely in 2010 for $1.8bn after Ford paid $6bn for it in 1999.

At the time it had just completed a restructuring that saw it return to a marginal profit.

Under the ownership of Geely, the company embarked on an $11bn transformation, and it saw a 17.4% increase in operating profit last year.

Underpinning the investment is a new Scalable Product Architecture (SPA), which forms the basis for its new XC90 SUV, as well as the new S90, which will be launched in 2016.

In total, four new models will come from the platform.

A smaller version of the SPA is also being developed with Geely at a new facility. This will be used for the next generation of the manufacturer's V40 and an XC40.

In an exclusive interview in Gothenburg, Sweden, company president and CEO Håkan Samuelsson told Business Day: "We have started a revival of Volvo. We redefined the brand, which had been diluted during the Ford era."

The company has a globalisation strategy that includes China, where Geely ownership allows Volvo to operate without the many restrictions the Chinese government places on other foreign companies.

Volvo now has three manufacturing facilities in the country, as well as 385 dealerships from which it sold 80,000 cars last year, making China its biggest market.

"It is very clear that Geely is not wanting to change Volvo into a Chinese car brand."

Asked what he thought would have happened to the company had it not been bought by Geely, he said: "Could we have found another (solution)? I doubt it."

The company is now eyeing the US market, where its sales have been flagging.

"We will revitalise the US market. We have had some challenges in the US, but we are seeing a light at the end of the tunnel."

The company is also looking at new production sites in Russia and India, with no plans for Africa, unlike some manufacturers which see it as the next big thing.

"In a way the focus has moved back, away from the Brics (Brazil, Russia, India, China and SA) economies, to established economies such as the US," he said.

North Africa, in particular, is witnessing too much turbulence and the market outside of SA is limited.

He also said that Volvo would not be following the lead of luxury brand rivals such as Audi, BMW and Mercedes-Benz by creating multiple-vehicle body styles.

"You get into too much complexity," he said, adding that the SUV was "the prime body type for Volvo, then its the station wagons and then the sedans".

"It's not just about being premium and trying to copy, but about being premium in your own way."

Source: Business Day