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AUTOMOTIVE Industries

110TH ANNIVERSARY ISSUE

We Look at the Last Ten Years and the Events and Technologies That Altered the Future of the Industry

- Chevy Discovers Cobalt
- GM Performance Cars
- Non-woven Interiors
- The Future of Hydrogen ICEs

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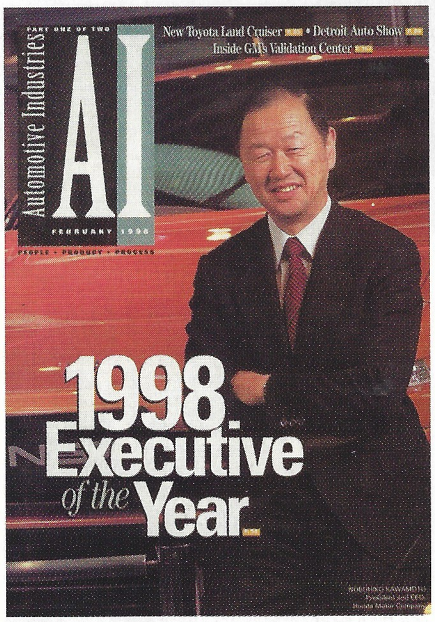
ing that left both companies appearing irresponsible and dishonest.

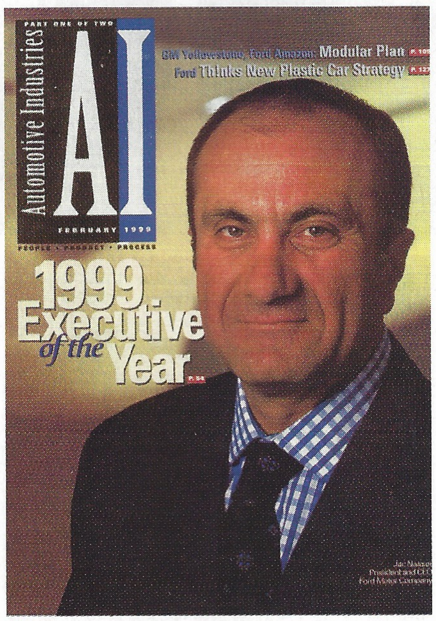
Looking back, it would seem that the Ford and Firestone separation was about far more than tires. It was about a renewed recognition of how critical it is for trust to exist between automotive supply chain partners. What NHTSA saw was two companies blaming each other and trying to save face, while safety for the end-consumer was shoved to the side. Amidst pressure to do something to ensure the same thing would never happen again, the Transportation Recall, Enhancement, Accountability and Documentation Act of 2000 (TREAD Act) was born in October 2002.

Under the TREAD Act, manufacturers and suppliers of automobiles, trucks, motorcycles, buses, trailers, tires and child restraints are required to record, sum up and report a broad collection of text data regarding dozens of components and safety systems. This data includes field reports, production statistics, injuries and fatalities, complaints, warranty claims and more. The first of regular on-going quarterly reports was due Aug. 31, 2003, and the mandatory five-year histories for all of this data were due a month later. Failure to provide the information on time puts companies at risk for stiff civil and criminal penalties. Today, with several cycles of TREAD Act reporting under its belt, the industry clearly understands that compliance is not optional.

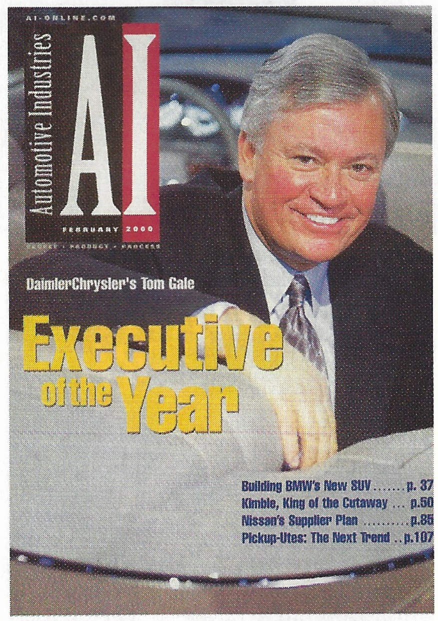
While many manufacturers have bemoaned the extra cost and enormous challenge the TREAD Act presents to their IT infrastructures, others have begun to recognize strategic uses and advantages of TREAD data in warranty analysis, customer satisfaction, brand protection and supplier management. Some would even go so far to say that with North American warranty costs well over $8 billion a year, automakers being forced to put in systems that give a cross-platform and cross-channel view of vehicle safety and quality issues is a blessing in disguise. Furthermore, as TREAD Act reporting matures, consumers should be able to compare how fast OEMs respond to vehicle quality issues. "For companies that do it right," said AMR Research's Kevin Prouty in a December 22, 2002 report, "it will be one more very public demonstration of quality manufacturing." ★



1998 Nobuhiko Kawamoto



1999 Jac Nasser



2000 Tom Gale

The Fall and Resurrection of Nissan

Ghosn Does a 180

by Gary Witzenburg

Nissan was doing well in the 1970s and early '80s, second to Toyota in the U.S. and far ahead of other Japanese makers. But who knew, because its brand name here was Datsun?

Then, in 1982, for worldwide consistency, Nissan decided to jettison the successful Datsun brand in favor of its global name. That may be when its troubles began, at least in the U.S., though U.S. Nissan sales peaked at 831,000 in 1985 as its dealers slowly (and reluctantly) hoisted shiny new Nissan signs where "Datsun" used to rule.

Americans were generally aware of Datsun. It was more fun, less conservative than Toyota with a range of small sedans, wagons and pickups buoyed by a sexy sports car (240Z, then 260Z) and well-publicized motorsports success. Even actor/heartthrob Paul Newman, when not making movies and salad dressing, was racing and winning in Datsuns.

But what was a "Nissan?" Essentially all of that hard-won brand recognition and image was tossed out the window as Datsun cars, trucks and dealerships morphed into "Nissans." Though the change may have been the right thing to do long-term, Nissan underestimated the impact of this transition in its most profitable market.

Nissan U.S. sales slid to 622,000 by 1990, including some 24,000 Infiniti cars following the less-than-successful 1989 launch of that new luxury brand. By 1994, they had recovered to 774,000, including 51,000 Infinitis, but by 1998 were down to 622,000 again. Its home-market share, a heady 34 percent in 1974, had declined to less than 19 percent and its global share to just 4.9 percent from 6.6 in 1991, it had lost money in seven of those eight years, and its debt was a staggering $22 billion. Facing collapse, sorely needed a savior/partner to rescue its bacon.

"Nissan was always known for strong engineering," says Michael Robinet, vice president global forecasting, CSM Worldwide. "[Their problem] was mostly a lack of innovative product and the slow launch of Infiniti vs. Lexus and Acura. There are three mainline Japanese — Toyota, Honda and Nissan — then some smaller players that tend to have more specialty niches. Nissan got caught between the bigger players and the niche players."

Along came France's Renault — after both Ford and DaimlerChrysler had pulled out of negotiations to purchase the company in March 1999 — which cut a deal to exchange $5.4 billion in cash for a 36.8 percent stake and sent Brazilian-born Executive Vice President Carlos Ghosn to Japan as Nissan CEO. Ghosn's plan, unveiled that October, promised to restore profitability by revitalizing the product portfolio while reducing costs by more than $9 billion and debt to $6.4 billion by 2002. Three assembly and two powertrain plants in Japan would be closed, global headcount would be reduced by 21,000 (through attrition, early retirement, increased part-time employment and spin-off of non-core businesses) and key functions would be globalized.

"I think Nissan was smart to harken back to its roots of strong engineering and very strong powertrain, and what they did on top of that was more exciting styling."

— Michael Robinet, vice president global forecasting, CSM Worldwide.

Almost incredibly, Nissan turned profitable in 2000, reached 7.9 percent operating margin in 2001 and an industry-leading 10.8 percent in 2002. By 2003 (the company's 70th anniversary), its U.S. market share was approaching 5 percent vs. 3.9 percent in 1998, while its fiscal year 2003 results marked the fourth straight year of record profits.

"They've done some unbelievable things in commonization," Robinet says, "first in vehicles and structures and increasingly in engines, transmissions and common build processes. They took Renault and Nissan, two disparate companies, and brought them together in a platform sense — a stroke of genius. They have some of the leading high-volume platforms in the world today, they're getting stronger, and they're filling out their portfolio. And they're not afraid to move into new markets. Renault is getting stronger in markets such as Iran; Nissan in markets such as China. They're putting their money into the right places.

"I think Nissan was smart to harken back to its roots of strong engineering and very strong powertrain, and what they did on top of that was more exciting styling. But I think the real splash is going to come on the luxury side, and many of those Infiniti vehicles will be on platforms manufactured in several locations, which will help their cost base. I would look for more Infiniti product, not only to be imported from Japan but also to be manufactured here." ★

The Rise and Rise of Hyundai

The Next Toyota

by Gary Witzenburg

Hyundai, Korea's leading automaker, arrived in the U.S. in 1986 with the Excel subcompact. It sold nearly 169,000 units that year, a record for any first-year import, and 264,000 the next, largely because it was cheap and presumed to have Japanese-level quality.

It didn't. Probably the worst car sold in America since the infamous Yugoslavian Yugo, the Excel's bad reputation soon caught up with its new U.S. distributor, and sales began to slide — to 126,000 by 1994 and just over 90,000 in 1998. "Some thought we would turn out the lights and go home," said one official.

Instead, working with a modest range of five cars and one SUV (and an industry-best 10 year/100,000-mile powertrain warranty), Hyundai managed to grow its U.S. sales an astounding 347 percent in five years to more than 400,000, 4th among U.S. imports, by 2003 and to an impressive 7th worldwide. Its goal is global top five by 2010.

"Hyundai's domestic market collapsed [in 1997-1999] as a result of a currency crisis," says Vice President Global Forecasting, CSM Worldwide, Michael Robinet. "So they had to switch gears very quickly, make a splash in other markets and start exporting more vehicles to keep their factories running. They were able to take that negative and turn the export spigot on, and establishing much stronger export demand helped the company become more established and enabled them to move into new segments.

"Also, the weakness of [former Korean competitor] Kia allowed them to bring those two

The 2006 Sonata will be the first Hyundai built in North America.