

Volvo having Second Thoughts in Producing the S80 in China

The Swedish-based subsidiary of Ford and producer of high quality [Volvo floor mats](#), Volvo is not open in discussing its plan of producing locally the S80 car model in China. And this is probably because according to Dr. Alexander Klose, the new Chief Executive Officer for Volvo Car China, the company is not in a hurry to produce another new vehicle in China especially when cost and quality are not that well controlled. This was also confirmed by top executives of Volvo Car China stating that it may take at least two years if cost and quality will not improve.

At present the automaker owns five car models in mainland China with prices ranging from CNY 300,000 to CNY 1 million. There are two import models being distributed in China the S80 and XC90. The current important task of the company is to increase sales of Volvo S4 cars and to broaden its shares in the second-largest auto market in the world.

Volvo has started the production of luxury car models such as the Volvo S40 in China in July of 2006 and the company is hoping for this model to bring in annual sales of 10,000 units. Unfortunately, things were not turning out according to the projection of the automaker, instead of the 10,000 units sold Volvo Car China was only able to obtain 500 units sold per month totaling to 6,000 units in a year.

Although Volvo's sales in China didn't turn out as expected but according to Chinese dealers of Volvo Car the sales of the Volvo S40 had been good. The sales obtained by the Swedish automaker are lower than that of its archrival in the luxury segment, BMW.

China-made BMW branded car models were able to obtain a round 6,674 units in the first six months of 2007 posting a leap of 40 percent as compared to the same period last year.

And even though Volvo Car China is a brand controlled by Ford Motor Company it just cannot partake in the production management in Chang'an Ford Mazda Automobile Co., Ltd., which is a joint venture entered into by Ford, Mazda, and Chang'an Automobile Group.

In addition, despite the fact that Volvo Car produces its Volvo S40 at Chang'an Ford Mazda, it does not inject capital in the venture and is given a small participation in the venture's management. Volvo is part of Ford's PAG or Premier Automotive Group and all of the Swedish automaker's luxury car model operations including the implementation of any strategic development in the Chinese market are controlled by PAG.

The Chang'an Ford Automobile Co., Ltd. was founded in April 25, 2001 with an investment of USD 98 million by Ford Motor and Chang'an Automobile Group. It was later on renamed to Chang'an Ford Mazda after the Japanese subsidiary of Ford has invested in it last March 2006.

About the Author

Evander Klum is a Business Administration graduate who hails from Alabama. He enjoys extreme sports and he is also a car racing fanatic. At present, he works as a marketing manager at an advertising agency in Cleveland.

Source: <http://www.articletrader.com>